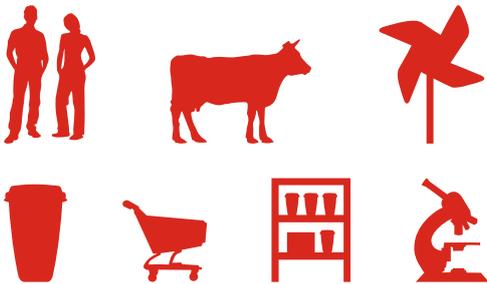


About the cover of this report

Simple symbols support Emmi's sustainability communication. They are used to illustrate Emmi's four strategic thrusts as well as its core activities throughout the value chain.



About the images in this report

Catering to clients' need: Worthwhile. Challenging.

Consumers' tastes and preferences are constantly changing. Emmi has maintained its success by keeping pace with these changes, and the range of products offered by the company caters to as many consumer needs as possible. However, expanding the range of products means that the company also becomes more and more complex at all levels – particularly in development, production and distribution. Various interests have to be weighed up before launching or adapting any product.

The images in this sustainability report allow the reader to see how the various consumer requirements filter through to Emmi's range of products.



Sustainability figures

(Emmi in Switzerland)

	2012	+/-	2011	+/-	2010
Total electricity consumption in GWh	121.3	-0.2 %	121.6	+2.9 %	118.2
Electricity consumption in kWh per t of products sold	198.7	+1.8 %	195.2	+1.0 %	193.2
Water consumption in million m ³	2.9	-3.3 %	3.0	-	3.0
Water consumption in m ³ per t of products sold	4.7	-4.1 %	4.9	-	4.9
Total waste volumes to incineration plants in million t	2.0	-20.0 %	2.5	-10.7 %	2.8
Total waste volumes to incineration plants per t of products sold	3.3	-17.5 %	4.0	-11.1 %	4.5
Total volume of milk and cream processed in million kg	1,220	+20.0 %	1,017	+2.5 %	992
- of which Switzerland	920	-1.7 %	936	+2.5 %	913
CO ₂ emissions in 1,000 t	35.8	-2.0 %	36.5	-1.7 %	37.1
CO ₂ emissions in g per kg milk	40.5	-0.5 %	40.7	-4.2 %	42.5
Total number of employees	5,074	+30.4 %	3,890	+5.1 %	3,701
- of which Switzerland	3,008	-2.4 %	3,081	-2.3 %	3,153

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External validation



ASSURANCE STATEMENT

SGS Statement on Assurance of Emmi AG GRI Sustainability Disclosure 2012

SCOPE

SGS was commissioned by EMMI AG to conduct an independent assurance of the GRI based Sustainability Disclosure for 2012. The scope of our engagement was limited to the following GRI disclosure requirements and indicators:

- Clauses 1-4: All indicators needed for the verification against „C“
- Economic Indicators: EC1
- Environmental Indicators: EN3, EN4, EN 5, EN8, EN16
- Social Indicators: LA1, LA2, LA7, SO7, PR1

The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all text and data in accompanying tables, contained in the printed Annual and Sustainability Reports 2012.

CONTENT

The Board of Directors or its members and the management of the organization are responsible for the information and its presentation in the sustainability report and on the website. SGS was not involved in any way in the preparation of the material contained in the GRI Index. It merely conducted an independent review of the data and text based on the Global Reporting Initiative Sustainability Reporting Guidelines, Version G3. SGS is solely responsible for the content of this statement and the opinion(s) expressed therein.

ASSUROR INDEPENDENCE AND COMPETENCIES

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from EMMI AG, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

METHODOLOGY

The SGS Group has developed protocols for testing sustainability reports based on the current best practice guidelines in the Global Reporting Initiative Sustainability Reporting Guidelines, Version G3. In addition to an examination of the GRI-based sustainability reporting, SGS has certified Emmi's environmental management system according to ISO 14001:2004. The audit involved a range of preliminary investigations, discussions with relevant employees, control of documentation and records and, where necessary, validation with external institutions and/or beneficiaries. The financial data drawn directly from the independently audited financial statement was not rechecked as part of this review process.

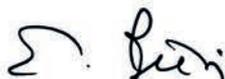
OPINION

On the basis of the above methodology, we did not encounter any facts that led us to believe that the information and data disclosed by Emmi in accordance with the GRI Index 2012 may be incorrect. In our opinion, the disclosed information and data show a fair and balanced picture of Emmi's sustainability activities in 2012. We believe that the sustainability reporting according to the GRI Index meets the requirements of level C+ of the GRI, Version G3.

UNTERZEICHNET IM AUFTRAG VON SGS



Albert von Däniken
Lead Auditor, SGS



Elvira Bieri
Lead Auditor, SGS

Zürich, 3. Oktober 2013

WWW.SGS.COM

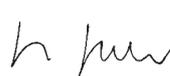
Dear Reader

In the first Emmi Sustainability Report published in 2011, we presented a review of sustainability within our company, defined principles and explained what we understood sustainable corporate management to mean. This is the basis for our second Sustainability Report, in which we further substantiate our basic attitude to this issue and also give details of the numerous developments of the past two years.

We are currently operating in a challenging economic environment. A number of European countries – including some of Emmi's key markets – are still in the grips of the economic crisis. In this situation, sustainable action in many areas is vital. Emmi's strategy focuses on this and helps the company to be successful, even in difficult times. Cost management is one of the pillars of our strategy – an expression that refers to more than just pure economic thinking: it stands for careful use of all resources, because our economic success is directly dependent on their conservation and efficient use, for example in the area of energy.

We generate savings running into millions every year through our optimisation programmes in various areas, while at the same time improving the company's eco-balance for the long term. This is gratifying, but we are aware that this type of optimisation alone will no longer be sufficient in the future. Although we have not yet exhausted the potential for optimisation within our facilities, we will be adding further aspects to the concept of sustainability, as we at Emmi understand it, and promoting these even more heavily. One example is our sustainability organisation, which has been developed over the past two years. The role of the people involved in this is to act as ambassadors and convey sustainable thinking and action to their work colleagues. The aim is that all Emmi employees incorporate sustainability in their day-to-day work and support networking and the exchange of knowledge in this area. This principle has already been introduced in a number of bodies and through a range of measures, and is increasingly institutionalised.

Emmi has grown considerably in the past two years, particularly in the international business. Of our 5,000 staff, we already employ 2,000 abroad, where we will also soon generate half of our sales. The challenge we face is therefore to consider sustainability not from a purely Swiss perspective in the future, but from a point of view that takes into account increasing internationalisation. Establishing an understanding of sustainability throughout the Group is one of our main concerns.



Konrad Graber
Chairman of the Board of Directors



Urs Riedener
CEO





KALTBACH


KALTBACH
Switzerland

Emmi's sustainability strategy

Sustainability has long been an important issue at Emmi. The need to improve the energy-intensive production processes in milk processing was recognised back in the 1990s. Cost optimisation was a key driver at the time because although sustainability – and in particular environmental protection – was already increasingly under discussion among the general public 20 years ago, consumers were rarely willing to pay more for sustainable products.

Since then, conditions have changed. Consumers are now more aware and more critical of the food sector as a result of numerous food scandals. This creates new opportunities for responsible companies with high product quality: more and more consumers are rewarding sustainable business management with their custom. To take even greater advantage of the opportunities arising, Emmi aims for sustainable corporate management. The decision-makers understand this to also include, in particular, further investments in processes that conserve even more resources.

A commitment reflected in structure, organisation and culture

Emmi's corporate strategy includes maintaining its market-leading position in Switzerland, pursuing targeted international growth and implementing rigorous cost management. Emmi has focused on these three parameters for many years in order to ensure success as an independent company, even in economically challenging times and in open markets. These constants are relevant in terms of securing the long-term success of the company. Emmi's solid position makes it a reliable partner for its stakeholders. The company's commitment to sustainability is reflected in its strategy, organisation and culture, and is therefore transparent and credible. The sustainability model, based on the pillars of environment, ethics and economy, is impressively balanced, even if as a listed company, Emmi is required to attribute particular importance to economic factors in the event of conflicts of objectives between the three pillars.

«Our Kaltbach cave is a perfect balance of tradition and innovation.»

Franz Marbach, Team Leader of the Kaltbach cheese-aging cave

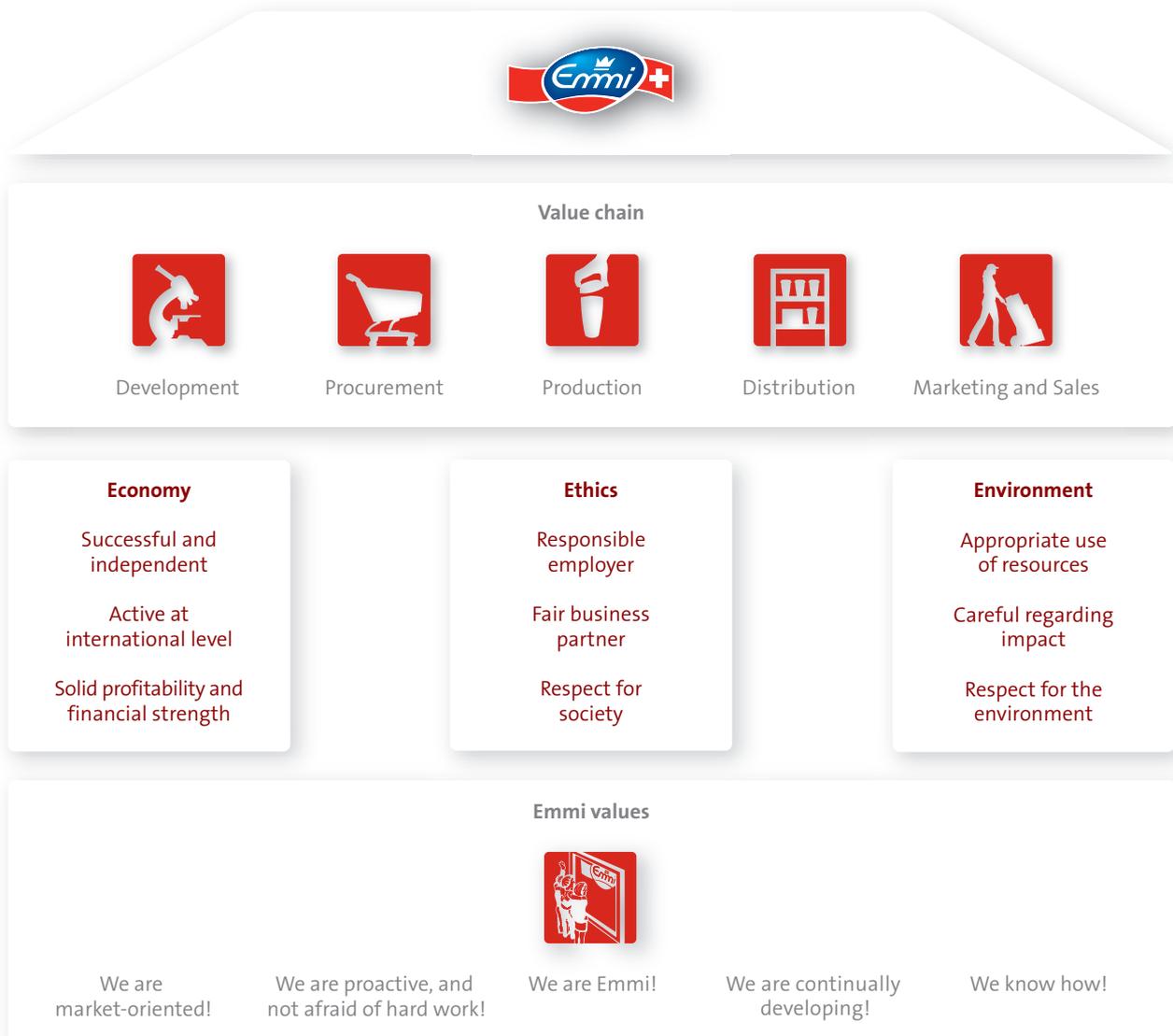
Emmi has been maturing cheese in the natural climate of the Kaltbach sandstone cave for 60 years. Since 2005, this location has been the namesake of Emmi's cave-aged cheese specialities. The first of these specialities were the Swiss classics Emmentaler AOC and Le Gruyère AOC. Although Emmi is committed to these two brands, the company is still looking to develop new products. Today, cheese for Raclette and Fondue as well as the two semi-hard cheeses KALTBACH Extra Tasty and KALTBACH Creamy & Tasty are aged in the cave. Additionally, the idyllically situated cheese dairy produces other cow's and goat's milk cheeses to suit almost every taste.

Eleven principles guiding sustainability

The term «sustainability» is often used in an abstract and even inflationary sense. By contrast, Emmi uses the word in a highly specific and practical way and therefore set out 11 guiding principles in 2011, which define what it understands by a sustainable approach to its various stakeholder groups. These principles remain in effect.

They are based on the «sustainability house»: the three pillars of this model and the five Emmi values (see figure 5) support the company's value chain. Together, the sustainability house and the guiding principles form a framework to guide employees. They are not strict rules, but are rather intended to stimulate employees to think and question the status quo.

Fig. 1: The Emmi sustainability house



1. We strive to achieve solid profitability and financial strength in order to safeguard our economic independence.
2. We are aware of the responsibility we bear towards consumers, partners, employees and society and we treat these groups with respect.
3. We use all natural, technical and financial resources sparingly.
4. We minimise our environmental impact and are guided by the principle «avoid, reduce, recycle».
5. We consider sustainability throughout the entire supply chain to ensure that Emmi products fulfill high standards regarding ethics, quality, safety, health and environmental compatibility.
6. We are constantly increasing the use of resources produced in a natural and socially responsible manner and design our packaging in such a way that food safety and environmental compatibility are guaranteed.
7. We are mindful of preserving biodiversity and are a committed partner to the agriculture sector.
8. We prefer to work with suppliers who, like us, are committed to sustainability issues.
9. We invest in the further development of our employees and cultivate a culture of respect and open dialogue.
10. We ensure that employee health and safety is guaranteed in the workplace and avoid dangers.
11. We involve our stakeholder groups in our sustainability efforts.

EXAMPLE Sustainability principle no. 8

Emmi will move into its new headquarters in Lucerne in 2014. Like all larger Emmi locations, the headquarters will now have a staff restaurant. DSR, a company based in Frenchspeaking Switzerland, was selected as the catering partner. In competition with other wellknown specialists in industrial catering, DSR stood out as a result of its extraordinary commitment to sustainability. Among other measures, DSR contributes 20 % of its profits every year to charity.

Four strategic thrusts

Emmi developed four strategic thrusts for its sustainability activities in order to firm up the Emmi sustainability house and guiding principles, and to formulate measurable objectives. These are particularly relevant within the company



Energy and resources

Increase in energy and resource efficiency and substitution of CO₂-intensive energy sources with renewable energies or lower-carbon alternatives.



Milk and ingredients

Use of natural and respectfully produced milk and other raw ingredients for Emmi brands.



Packaging

Closure of materials cycles.



Employees

Creation of the conditions for family-friendly working models.

in the current context, and can also be directly influenced in the day-to-day working environment.

Communication promotes interest

Aside from areas such as production, technology and logistics that are directly involved in sustainability issues, Emmi employees currently have no explicit sustainability objectives. Nevertheless, it is important to promote a positive attitude amongst them on this issue, demonstrate the benefits of sustainable behaviour for them and for the company, and give them food for thought with regard to implementing sustainability in their own area of responsibility. Communication plays an important role here. Following the publication of the first Sustainability Report in summer 2011, a range of communication measures was launched: Sustainability is covered in every issue of the quarterly in-house magazine LINK, usually by presenting specific projects of the company. The annual sustainability competition encourages employees to implement their own ideas in their working environment.

It is launched every January at a management event with the formulation of an annual motto. Projects related to the annual motto that are implemented during the year can be entered in the competition in the autumn. A jury with internal and external experts judges the projects entered, with prizes also awarded at the management event at the start of the year. This ensures that innovative teams receive recognition of a large audience. The winning projects also give ideas to other areas and facilities, therefore promoting the exchange of knowledge within Emmi.

In addition to centrally coordinated communication, exchange within the project and working groups is important. When aspects of sustainability are discussed in this type of body and incorporated in decisions, an important interim objective has been achieved. Ambassadors are important in this kind of communication and are part of the sustainability organisation set up in spring 2012 (see pages 13 to 15).

MORE INFORMATION

- Emmi's sustainability requirements (sustainability mission, sustainability house, sustainability guidelines): [SR 1](#) pp. 11–14
- Corporate strategy: [AR 2012](#), pp. 20–22

Sustainability Organisation at Emmi

Emmi's roots stretch back to 1907 when 62 cooperatives founded the Central Switzerland Milk Association in Lucerne (Zentralschweizer Milchverband Luzern, MVL), which gained a foothold in the municipality several years later. The company Emmi developed out of this loose interest group over decades, and was finally founded as a stock corporation with a modern division-based structure in 1993. Association activities were separated from commercial ones at this point, and both the structure and activities of the company became more flexible. Today, the Emmi Group comprises more than 20 companies in Switzerland alone. Its products are exported from Switzerland to some 60 countries. Emmi is present at international level with subsidiaries in 12 countries. These include Austria, Chile, France, Italy, Spain, Tunisia and the USA, in all of which it also has its own production facilities.

Traces of Emmi's history as a company that has developed over the course of a century out of a wide range of organisations can still be found today. For example, the historic separation of cheese and dairy products is still evident in the current organisation: Kaltbach, Kirchberg, Landquart, Langnau and Moudon are, like the various commercial cheese dairies, purely cheese facilities, while Ostermundigen, Suhr and the Biedermann dairy exclusively manufacture dairy products. Exceptions are Emmen, Lalaria Engiadinaisa in Bever and Regio Molkerei beider Basel in Frenkendorf, which have cross-category production.

This clear division into different product categories has numerous advantages. However, there are still some challenges in terms of cross-business-unit issues, even with the shared understanding of values which is particularly in evidence at all Emmi facilities in Switzerland. For this reason, the Emmi Group will introduce a new organisation as of 1 January 2014, which will better meet the challenges of an international dairy producer and support the cooperation across divisions, topics and countries.

Supply chain as a hub for sustainability issues

Quality, environmental and safety issues are a key part of corporate sustainability, and of particular importance to food manufacturers. At Emmi, Quality, Environment and Safety (QES) are the responsibility of the Retail & Supply Chain Management (SCM) business unit. Here, Emmi pursues centralised management by central officers who are supported by QES representatives appointed by each of the sites. In practice, all Emmi facilities in Switzerland are given binding objectives by the QES organisation every year. Management of cross-business-unit tasks is therefore a reality in this area.

A three-tier organisation ensures dissemination of the issue

In light of this, it was obvious to initially organise the issue of sustainability in a similar way to QES. In spring 2012, a three-tier sustainability organisation was therefore set up, comprising a steering committee, a core team and decentralised representatives.

The **Sustainability Steering Committee** is chaired by Max Peter, Managing Director of Trade & Supply Chain Management, who is responsible at Group level for the issue of sustainability. Other members at Group Management-level are the Chief Human Resources Officer, a representative of the Production, and the Chief Marketing Officer. The Managing Director of the UK subsidiary, representing all international locations, and two representatives of the sustainability core team are also members of this decision-making body. The Steering Committee meets quarterly and follows a fixed agenda, which gives all represented areas the opportunity to raise issues relevant to sustainability. The Managing Director of Trade & Supply Chain Management and the representatives of the sustainability core team then provide information on current sustainability projects in the key strategic areas (see section «Emmi's sustainability strategy») and present proposals and requests from the core team.

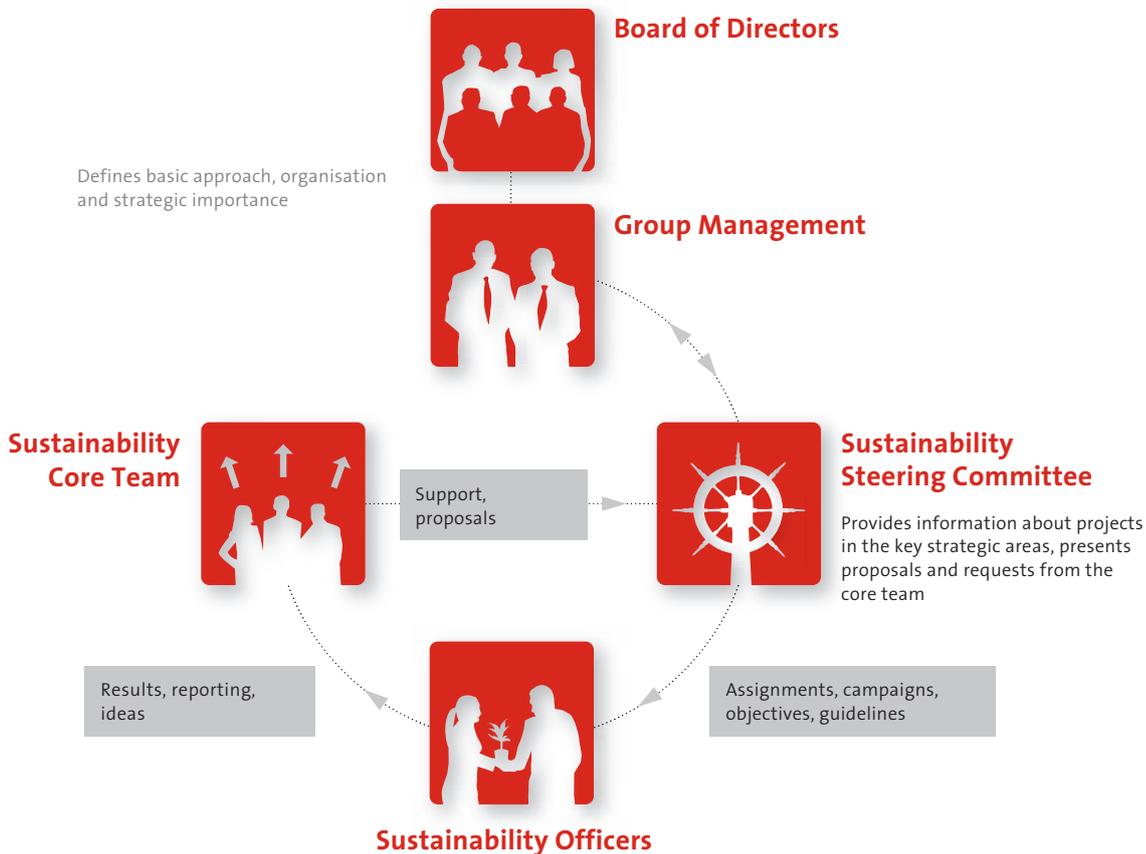
The **sustainability core team** has a supporting and intermediary role. It is led by the Head of Environmental Management for the Emmi Group. The other four members represent the areas of marketing and sales, communications, technology, development, ethics and employees. The sustainability core team is the point of contact for all sustainability issues for employees and third parties. It conveys requests internally to the right place and submits concerns to the respective body. At its monthly meetings, the team covers current projects, sustainability reporting, sustainability trends and concerns of the sustainability officers, and prepares these for the Steering Committee. The sustainability core team is also responsible for sustainability communication, for example the communication of the sustainability motto and the sustainability report.

To help the issue of sustainability gain broader acceptance and involve employees from all facilities in Switzerland, Emmi staff from key central areas and various production sites are trained as sustainability officers. At two workshops held in 2012, they took an in-depth look at sustainability. Since autumn 2012, the **sustainability officers** have reported relevant projects, critical issues and new ideas to the core team.

The sustainability organisation is being expanded

The commitment of all employees involved in the still young Emmi sustainability organisation is bearing its first fruits:

Fig. 2: Emmi's sustainability organisation



sustainability is gaining support at Emmi, and employees are increasingly incorporating sustainability aspects into their considerations. One visible indication of initial success is the formulation and implementation of binding sustainability requirements in an increasing number of areas.

In future, sustainability at Emmi will go beyond the current core issues – such as water and energy. A long-term, comprehensive view will increasingly take the current still narrow focus away from merely the direct impact. In addition, the sustainability organisation will be further optimised, as it is not just the results of the individual efforts of a few employees that are relevant. This is especially true since the Sustainability Steering Committee has set itself the objective of expanding sustainability management to the entire Group in the next few years. The integration of foreign production companies is an enormous challenge in this respect, as the understanding of sustainability, and in particular its weighting, varies considerably from country to country. The basis for this integration will be the Emmi values and the established QES requirements and processes.

Utilising and supplementing existing structures

Initial experiences with Emmi's sustainability organisation have shown that numerous issues relevant to sustainability are already dealt with in various areas within the company. In particular, professional optimisation programmes are resulting in considerable improvements in corporate sustainability, especially in the areas of the economy and environment.

«Emmi Operational Excellence» covers all measures that enable Emmi to lay the foundations to implement the market's cost requirements. An Operational Excellence plan is

drawn up annually for each division, and Group Management evaluates quarterly whether the objectives set have been achieved. Corporate Development acts as coordinator. The aim is to expand this optimisation process to include the six largest cost drivers at Emmi:

- General complexity
- Production
- Human Resources
- Logistics
- Marketing
- Central services

The individual areas are given the choice of how to achieve the centrally prescribed savings. This means that entirely different approaches are taken: the Cheese Division plays a pioneering role here. It has been optimising its resources for five years according to the Japanese management philosophy Kaizen and had the first certified Kaizen manager in Switzerland among its staff in 2010. Since then, Kaizen knowledge has been continuously added to internally and expanded to all cheese producing production sites. The starting point and model here is the SWISS Lean Award-winning packaging facility in Kirchberg in the canton of Berne. The Dairy Products Division is relying on the methods of consultancy Solving Efeso to find and make long-term use of potential for optimisation.

The sustainability organisation has set itself the objective of recognising all of the measures and projects relevant to sustainability resulting from these optimisation programmes, and supporting the widespread implementation of necessary knowledge transfer between the organisational units, facilities and departments. The same principle also applies for all other areas relevant to sustainability, such as human resources.

MORE INFORMATION

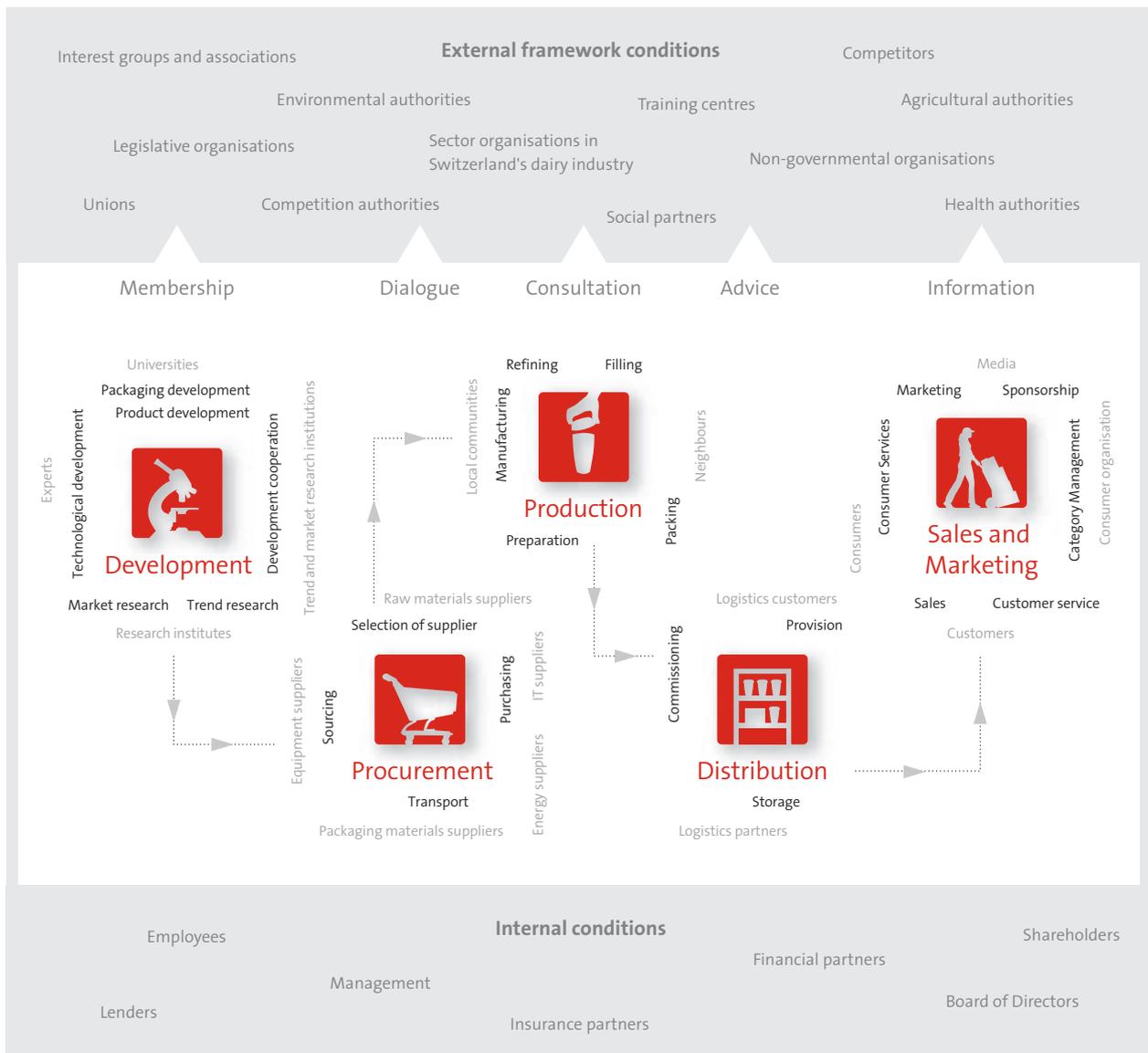
- History of Emmi: Emmi website group.emmi.com > About Emmi > History of Emmi
- Map of the geographical presence of Emmi: [SP 2012](#), pp. 14–15
- Organisational chart: [AR 2012](#), p. 31
- QES organisation of Emmi: [SR 1](#) p. 15

Corporate sustainability throughout the value chain

Emmi offers a full range of dairy products, most of which are manufactured and refined extensively within Emmi itself. In addition to the roughly 5,000 products it manufactures itself, Emmi also offers several thousand products as part of its trading range. The diversity of services on offer makes Emmi's value chain particularly complex. It all begins with procuring

the requisite goods for core operations. The information below on sustainability throughout the value chain deals with the process of transforming basic raw materials into products and delivering the end products to the customer.

Abb. 3: Value chain



A partner at all value chain levels

Through its operating activities, Emmi has established a broad-based network with society and its stakeholders, who place demands on the company, both directly and indirectly.

The relevance of these stakeholder groups can be seen first and foremost in their business model and therefore to a large extent in the value chain (see fig. 3).

Emmi's other key stakeholders outside the product- and sales-focused value chains are the company's investors and the associated institutions (e.g. analysts, financial intermediaries and the stock exchange), as well as the offices and individuals responsible for the framework conditions (e.g. politicians, authorities and associations).

In addition to this direct network of contacts, Emmi is also interested in pursuing an open dialogue with all other stakeholder groups (e.g. non-governmental organisations) and maintains this dialogue wherever possible. In this respect, Emmi is particularly focused on providing proactive communication on issues of public interest, for example, via the company website, but also via publications such as this sustainability report.

MORE INFORMATION

– Communicating with target groups: [SR 1](#), pp. 46–47



Maxi Die Butter in Platten
Le Beurre en plaques
Il burro in panetti

- ✓ extra tourierfreundlich
- ✓ optimale Größe (kein Anrollen mehr nötig)
- ✓ gleichmäßige Qualität
- ✓ extra facile a lavorare
- ✓ format optimal (pas besoin de l'étaler)
- ✓ qualité uniforme
- ✓ estremamente facile da lavorare
- ✓ dimensioni ottimali (non richiede la spianatura)
- ✓ qualità uniforme

direkt aus dem Kühlschrank
Verarbeitungstemperatur:
5 °C

peut être travaillé dès la
sortie du réfrigérateur
Température de travail:
5 °C

pronto per essere lavorato
appena estratto dal frigo
Temperatura di lavorazione:
5 °C

Traditionell Die Butter in Platten
Le Beurre en plaques
Il burro in panetti

- ✓ direkte Verarbeitung
- ✓ weiche Butterkonsistenz
- ✓ traditionelles Herstellungsverfahren
- ✓ se travaille immédiatement
- ✓ beurre à consistance tendre
- ✓ procédé traditionnel de fabrication
- ✓ lavorazione diretta
- ✓ morbida consistenza burrosa
- ✓ prodotto con metodi tradizionali

direkt aus dem Kühlschrank
Verarbeitungstemperatur:
5 bis 10 °C

peut se travailler dès la
sortie du réfrigérateur
Température de travail:
5 à 10 °C

pronto per essere lavorato
appena estratto dal frigorifero
temperatura di lavorazione:
da 5 a 10 °C

Profik

Zopfbutter, Block
Butter 82% Fett
Beurre pour tresse en bloc
Beurre 82% gras

MEISTER Die Butter in Platten
Le Beurre en plaques
Il burro in panetti

- ✓ extra tourierfreundlich
- ✓ optimale Größe (kein Anrollen mehr nötig)
- ✓ gleichmäßige Qualität
- ✓ extra facile a lavorare
- ✓ format optimal (pas besoin de l'étaler)
- ✓ qualité uniforme
- ✓ estremamente facile da lavorare
- ✓ dimensioni ottimali (non richiede la spianatura)
- ✓ qualità uniforme

vor dem Touren 20-30 Minuten bei Raumtemperatur stehen lassen

avant le tournage, laisser le
beurre à température ambi-
ante entre 20 et 30 minutes

lasciare a temperatura ambi-
ante per 20/30 minuti prima
di lavorare nella sfoglia

Bäckereibutter in Platten
en plaques
in panetti

Halbfabrikat für tourierte Teige (Blätterteig, Hefeteig)
Produit semi-fini pour pâtes tourées (pâte feuilletée, pâte levée)
Prodotto semilavorato per impasti a girata (paste sfoglia, paste lievitate)

- ✓ hohe Elastizität
- ✓ große Elastizität



Development

At Emmi, development not only stands for the invention of new products, but also for optimising existing products, processes and packaging. In its development efforts Emmi always concentrates on its strengths – the products and their packaging. When it comes to fundamental research, Emmi works together with universities, research institutions and other external partners.

Product development

Innovation is a central component of the corporate culture and one of the success drivers. The company employs around 40 people in product development in Switzerland whose task it is to improve existing products, create new innovative products and develop products according to customer demand. The team consists of specialists with a varied skill set, including dairy technologists, bakers, chefs, food engineers, food technologists and packaging experts. It operates in close cooperation with marketing, sales, consumers, customers, suppliers, production and logistics.

EXAMPLE Consumers are involved in product development

Emmi's success or failure depends on how its products are received by consumers. This is why Emmi conducts market research to get an insight into the needs of consumers and to ask them how satisfied they are with Emmi products. To do this, Emmi's market research team uses a range of different tools, such as consumer panels. These consumer tests are repeated every three months, mainly in Switzerland and Germany, but now – in view of Emmi's increasing internationalisation – also in the UK and Spain. The consumers participating in the tests are divided into groups before they sample the products and judge their packaging. However, it is not simply a question of how good a product tastes. Emmi is also interested in more detailed information, such as how consumers rate Emmi Caffè Latte in terms of sweetness, the strength of the coffee or the amount of foam. The insights gained from these consumer panels are directly applied to the development process.

EXAMPLE Yogurt with no hidden surprises

Natural goodness currently tops the list of global food trends. Foods that are free from additives and E-numbers are an important concern for many consumers and, of course, products also have to taste good, have a long shelf life and be easy to handle – high expectations that are difficult to meet, especially with dairy products. In spring 2013, Emmi launched PureSwissYogurt, an innovative yogurt made from just three ingredients: yogurt, fruit and sugar. This new generation of yogurt was made possible by an innovative manufacturing process, which gives Emmi a technological lead over its competitors.

«Not all butter is the same.»

René Kündig, Developer for dairy products

Butter is, in essence, nothing more than milk fat obtained by centrifuging cream. All types of butter – with the exception of clarified butter – therefore consist primarily of milk fat and water. However, there are crucial differences between these products – in addition to the wide range of pack sizes. Butter is treated in a special way, for example, when it is to be used in bakeries in the form of butter sheets. The right movement and temperature ensure that the butter becomes malleable and is ideal for layered dough used for croissants. Emmi has developed numerous types of these butter sheets in collaboration with bakers.

EXAMPLE Dairy products with health benefits

In recent years, the percentage of consumers concerned with healthy eating has grown steadily and this also holds true in relation to dairy products. Many people are more conscious of what they eat today and are increasingly looking for products that not only taste good, but also have health benefits. While there was particular demand for low-calorie and vitamin-enriched products in the past, consumers now tend towards low-sugar and low-fat alternatives. And the number of consumers concerned with the tolerability of dairy products is growing.

In response to this trend, Emmi began developing a modern, lactose-free concept around two years ago. The result is a product range that caters to varied consumer needs. The products in the Emmi «good day» range contain less sugar and fat than conventional dairy products, while added milk proteins ensure that they are satisfying despite their lightness. Both their flavour and consistency are appealing, and they are especially easy to digest since all the products in the good day range are lactose-free.

EXAMPLE Successful cheese product the Swiss way

Swiss cheese is traditionally sold in pieces of between 100 and 250 grams. A few years ago, cheese in slices, particularly from Germany and the Netherlands, began to find its way into Swiss fridges. Sliced cheese has the advantage of being very easy to handle, for instance when topping a sandwich. Emmi responded to the growing consumer demand for such readymade cheese products by launching the Emmi Chäs Schiibe. When developing this product, the focus was on offering consumers a cheese that, while produced for the convenience sector, still meets the high expectations of lovers.

EXAMPLE Gradual reduction of sugar

For years now the reduction of added sugar in products has been a key concern for consumers. In a first step, existing products were examined to establish their added sugar content, which was then reduced, e.g. in yogurts by 10 to 15 per cent in 2011. To allow consumers to get used to the products being less sweet, the sugar content was reduced in two steps several months apart. Among other products, desserts such as the Emmi Griesstöpfli now contain around 15 per cent less sugar than they did a few years ago.

EXAMPLE Variety in the chiller cabinet

The space in grocery shops' chiller cabinets is limited and fiercely contested. Retailers want to be able to offer their customers the broadest possible range of products in this limited space, both in terms of brands and flavours. Consumers particularly appreciate being able to discover new products next to their old favourites. This is why seasonal flavours and limited editions are becoming ever more popular in dairy products. Product developers at Emmi are thus expected not only to develop new products, but also to come up with bright ideas for existing products. This concept has already been successfully implemented for Energy Milk and Griesstöpfli, which have both seen the launch of seasonal varieties. Since 2012, Emmi Caffè Latte also comes in limited editions – Tahiti Vanilla (2012) and Caramel New York (2013) – with Vanilla having proven so successful that it is now part of the standard range.

Irrespective of the success of this consumer-oriented approach, Emmi subjects each new product variety to a critical analysis to establish whether the increased complexity in production, logistics, sales and procurement is justified.

When developing new products, Emmi always adheres to the following principles:

- No GMOs (genetically modified organisms)
- Less additives
- No preservatives¹
- No lysozyme² in cheese production

New product ideas are rarely formed at a desk. They are inspired by other markets, as a targeted response to a consumption situation or are developed in line with global food, flavour or technology trends.

Once an idea has taken on a concrete form, it is further developed according to a clearly defined process: In a first step, the idea is tested for its market potential through the evaluation of the product concept or initial product samples by consumers. Based on the results of these field tests, the product is then refined on a pilot scale before the start of the first production trials. This explains why it is not unusual for the development of a new fresh product to take a year or more. For cheese, the development phase tends to be considerably longer as the product has to undergo an additional ageing process that can take several months.

Packaging development

Emmi processes more than 900 million kilograms of milk a year in Switzerland to produce some 5,000 different products in 2,000 different types of packaging. The most frequently used materials are plastics for pots, bottles and films (approx. 12,000 tons a year), cardboard for product packaging or as secondary packaging for transport (approx. 8,500 tons a year) and foil for the production of around 250 million TetraPaks (approx. 4,200 tons a year).

Emmi has two product packaging development teams in Switzerland who are responsible for developing and continuously improving the packaging as well as for ensuring that the various stakeholder groups' requirements are taken into account, including:

- **Product development:** The packaging needs to preserve the flavour of the product, protect it from light and air and ensure that the food safety requirements are met.

EXAMPLE Milk with an edge

In 2012, Emmi was the first dairy in Switzerland to introduce the new Tetra Edge packaging. With its particularly large spout and sloping top edge it is easier to open and designed so that not a single drop is wasted when it is poured. All the cardboard used in the packaging is Forest Stewardship Council (FSC) certified cardboard.

New facilities were installed at Emmi's Suhr site to integrate this new Tetra Edge packaging into the manufacturing process. Three plant managers and several technicians took part in a week-long training course at TetraPak in order to learn how to operate and maintain this new facility.

- **Marketing:** The packaging of the products should appeal to consumers and entice them to purchase the product. The packaging also has to be functional and designed in such a way that it stands out from the competition. There should also be sufficient space on the packaging to allow all the relevant information to be printed on it.
- **Production:** The material and shape of the packaging have to be suitable for automated processing and not require long changeovers.
- **Technology:** Wherever possible, the shape of the packaging should comply with a standard to ensure that no new machinery needs to be procured or that any existing machinery only needs to be slightly reconfigured.
- **Logistics:** The packaging has to be space-saving and stackable so that as large a number of packages as possible can be packed on a pallet. In addition, they have to protect the products during transport.
- **Purchasing:** The packaging material should meet high requirements in terms of sustainability, but at the same time be procurable at a reasonable price.
- **Sales:** The packaging should meet the varied customer demands of both the retail and catering industries.

¹ Exception: Long-life fresh products for export to Asia

² Enzyme which prevents late blowing

Despite the various requirements, the developers must follow a holistic approach when designing packaging. Emmi aims to use as much recycled or recyclable material as possible in its packaging. However, Emmi does not consider the sustainability of packaging to be dependent on the selected material's eco-balance alone. Even the most environmentally-friendly of materials is not suitable for Emmi if it affects the product's taste, does not meet quality requirements or cannot guarantee food safety. Another aspect to be taken into account is that it is possible to counter food waste with the right packaging. Lifecycle assessments are naturally taken into account in the selection process for packaging materials. However, Emmi is very critical of using such information for advertising purposes. The numerous methods applied are simply too different and not comparable, which is also why they are regularly subjected to criticism by, for example, consumer organisations.

The focus of the issue of sustainable packaging is often on primary packaging. There is, however, considerable potential outside of this public debate, in secondary packaging. From an environmental perspective, whether disposable or reusable packaging is used is key. Wherever feasible, Emmi favours reusable containers. If Emmi products were instead packaged in cardboard, 80 million units would be required per year. Stocks averaging approximately 1.3 million own containers and around 650,000 containers belonging to the retailers Coop and Migros are held at all Emmi locations in Switzerland. In addition, a further 1.3 million Emmi containers are with customers or in the supply chain.

New packaging is not only used for new products. Existing packaging is also constantly reviewed in terms of its optimisation potential, with a focus on reducing the quantities of packaging used. As part of an ongoing project, Emmi is already working on a set of comprehensive principles which will be completed by 2014.

EXAMPLE How much does a litre of milk weigh?

Thanks to recent progress in packaging development, a 1.5 litre bottle now weighs 44 grams instead of 47 grams. The optimisation of milk packaging has led to a yearly reduction in material of some 35 tonnes of polyethylene. The bottles have been reinforced by means of longitudinal ribs to ensure that they remain stable. The sleeve – the circumferential label on the bottle – is now easier to pull over the bottle thanks to the packaging's rounded edges. Even though the new mould for the production of the bottles required a one-time investment of a substantial five-figure amount, the improvement paid for itself in just one and a half years.

EXAMPLE Developing sustainable products in cooperation with customers

Swiss retailer Coop is an important client for Emmi. Not only does Coop procure brand products from Emmi, but Emmi also produces some of Coop's private labels, including the sliced Bio Le Gruyère AOC cheese. With the intention of rendering this product even more sustainable in every aspect, Coop and Emmi got together to analyse a number of packaging alternatives with regard to their carbon footprint. The current packaging of Bio Gruyère AOC slices is made entirely of plastic. However, in the future it will be made of a paper-plastic composite, which will improve its carbon footprint by 50 per cent.

MORE INFORMATION

- Emmi Pure Swiss Yogurt: uk.emmi.com > Product finder > Dairy products
- Emmi good day: emmi-gooodday.ch
- Tetra Brik Edge®: tetrapak.com > Packages > Chilled packages
- Forest Stewardship Council (FSC): fsc.org
- Recycle now: fsc.org

EXAMPLE Other countries, other customs

The Swiss are the recycling world champions. Since 2010, more waste has been recycled than burnt. Nonetheless, there is still room for improvement in Switzerland when it comes to recycling plastics. With the exception of PET, plastics are currently hardly recycled at all. A debate is underway in Switzerland on whether the collection and recycling of plastic packaging makes economical and ecological sense at all since the packaging is often transported abroad to be recycled, which is costly, instead of turning it into energy in a waste incineration plant close to home. The debate on whether the recycling of plastics is economically and ecologically viable is still ongoing.

The UK has decided to take a different approach to the matter. A note from recyclenow – an initiative for the promotion of recycling waste – has recently been added to the packaging of Emmi Caffè Latte and all Onken yogurts. Simple symbols are used to explain to consumers how individual parts of the packaging can be recycled instead of leaving them to rot on a rubbish dump.

**EXAMPLE** Less is more

A too broad product range is not sustainable. It results in smaller batches that generate higher costs as well as more faults and losses due to frequent reconfigurations to machinery. Emmi always endeavours to adapt the breadth of its range to the requirements of sustainability and, at the same time, to meet customers' wish for variety in the product range. This often is a fine line to tread, one that needs to be approached with the necessary caution. Thus, the optimisation of Emmi's range of processed cheeses for export took two years. Instead of previously 20 different types of packaging, there are now only two. The design of the packaging has also been revised: Where in the past each brand and variety had its own label, the wedge labels now no longer bear any reference to a brand and can thus be used for all products. This simplification has resulted in a 60 per cent reduction in the number of packaging components. This new solution also allows Emmi to respond to customer demands more quickly and flexibly. In line with this reduction in complexity, the range was also pared down. Of 21 recipes, only six remained.

EXAMPLE Changing good to better

In recent years, K3 pots have become an increasingly popular choice for yogurts. The pots are called K3 because they are made of three components: a plastic pot, a PET or aluminium lid and a cardboard sleeve. The recyclable cardboard makes the pot more stable, thus reducing the amount of plastic used. Emmi's K3 pots now use even less material, which means that Emmi is able to save a whole 67 tonnes of polystyrene per year in the future. Emmi is now also using IML (in-mould labelling) pots, the most material-saving packaging alternative, for an increasing number of fresh products.

In addition, Emmi reduced the thickness of the sleeves used for Emmi Caffè Latte and other sleeved products in 2012, which has resulted in annual polystyrene savings of an additional eight tonnes.



Procurement

Emmi defines itself primarily through the quality of its products, which is dependent on several factors, including recipes and manufacturing processes. Of course, the raw materials used – primarily milk, fruit, sugar and coffee – also play an important role. In 2012, Emmi processed 920,000 tonnes of milk and cream, around 10,500 tonnes of fruit, 8,500 tonnes of sugar and nearly 1,200 tonnes of coffee in Switzerland.

Aside from these raw materials, packaging materials (some 20,000 tonnes per year), machinery, technical materials, IT, advertising materials and consumables of all kinds are significant procurement items for Emmi. Thanks to central purchasing, the different Emmi companies in Switzerland are already saving time and money. Additional potential will in future be tapped by bundling international procurement activities and utilising the knowledge and relationships gained from companies that have joined the Emmi Group in recent years.

Emmi attaches great importance to the careful selection of its suppliers, which is guided by clear specifications. These are set out in the general terms and conditions of sale for suppliers of the Emmi Group and, amongst other things, stipulate the following:

- Emmi suppliers deliver GMO-free goods only.
- Suppliers must inform Emmi of any nanotechnological components (e.g. in packaging) in advance.
- All non-dairy raw materials come from a business certified in accordance with a Global Food Safety Initiative (GFSI) quality standard.
- Suppliers support an active environmental policy and continuously strive to improve the products delivered to Emmi with regard to their eco-balance.
- Secondary and tertiary packaging materials are to be kept to a minimum and recycled as appropriate if returned.
- Suppliers provide guarantees that they comply with applicable employment legislation and are in particular obliged to comply with the international UN Convention on the Rights of the Child and International Labour Organisation (ILO) conventions at all stages of production and processing, and to ensure that their sub-suppliers give a contractual undertaking to duly comply with such requirements.

EXAMPLE Exploit the potential of existing packaging

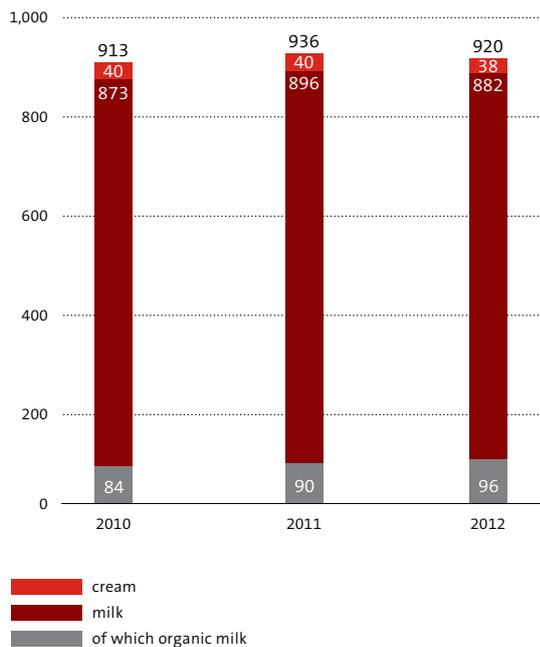
Emmi purchases a significant proportion of its packaging – especially for fresh products – from Swiss companies. Companies actively invest in the development of sustainable packaging solutions. So when Emmi's developers created the working group on sustainability in packaging development in 2012, bringing in these suppliers' sustainability experts seemed like an obvious move. The collaboration with SwissPrimePack, for example, led to a two-stage reduction of the packaging for Emmi Swiss Müesli and Emmi Bircher Müesli by 33 per cent respectively and of the sleeves for Emmi Caffè Latte by 20 per cent between 2011 and 2013.

Milk

Worth more than CHF 2 billion, the milk production industry is the most important branch of Switzerland’s agricultural sector. Some 24,400 Swiss milk producers with 590,000 dairy cows currently produce 3.2 million tonnes of milk sold to milk processing companies. Emmi processes more than 900 million kilograms of milk and cream a year in Switzerland, roughly a quarter of the total amount of milk sold in Switzerland. It is thus one of the most important players in the Swiss dairy industry (see fig. 4).

Fig. 4: Processed milk and cream

in Switzerland (in million kilograms)



Emmi’s role becomes even more significant when we consider that it not only purchases and processes milk in its original form but is also the largest cheese trader in Switzerland. In 2012, Emmi procured more than 32,000 tonnes of Swiss cheese. Emmi only rarely sells this cheese directly to domestic or foreign companies. In most cases, it is first refined and packaged at Emmi. A cheese variety such as Emmentaler AOC, for instance, is produced in a commercial cheese dairy in the region from which it originates, where it ripens for three months. Then it matures as a whole wheel in Emmi’s

Kaltbach cave for a minimum of another nine months, after which it is portioned and packaged by Emmi packaging specialists in Kirchberg according to customer wishes. In addition to Swiss cheese, Emmi’s range also includes products from other countries, mainly at subsidiaries Emmi Frisch-Service AG, a nationally active company with a focus on chilled distribution of foods of all kinds, and Baumann Käse AG, a provider of cheese specialities.

Fair partnership

When the milk quota system was abolished in 2009, the Swiss dairy industry founded the milk sector organisation BOM as a new common platform. In accordance with the objectives laid down in its statutes, the BOM aims to strengthen the economic efficiency of the Swiss dairy industry by maintaining and supporting added value and market share in domestic and foreign markets. Its membership currently comprises some 50 regional and national organisations of milk producers and processors as well as individual industry and retail companies, making it a thoroughly representative organisation that represents more than 95 per cent of Switzerland’s total milk volume.

Emmi fully supports the BOM. As Switzerland’s most important milk processor, Emmi represents the BOM’s decisions vis-à-vis the public and also implements them consistently, as it does with decisions issued by other advocacy organisations in the industry such as organisations representing particular varieties of cheese. In doing so, Emmi wants to lead by example.

Emmi sources its milk from five producer organisations (associations of milk producers) as well as from some 2,500 direct suppliers. The largest suppliers are the Central Switzerland Milk Producers’ Cooperative (ZMP), the Mittelland Milk Producers’ Cooperative (MPM) and the association of Bernese Emmi milk suppliers (BEMO).

Emmi exclusively processes raw milk from Swiss producers who satisfy the «ÖLN» requirements for sound environmental practice certification, under which suppliers guarantee that their milk is produced in an environmentally and animal-friendly manner and without the use of GM technology or feed made from genetically modified plants.

EXAMPLE Above-average milk price

Switzerland's milk industry is complex. There are several milk prices, for example. They differ according to the resulting end product (e.g. cheese or goods for the protected domestic market), the milk content or the services included in the price, e.g. collection from the farm or delivery to the ramp. The umbrella organisation of Swiss Milk Producers (SMP) therefore monitors the milk prices and makes them publicly available. The SMP's milk price monitoring is based on data gathered from the monthly milk payment invoices of around 300 milk producers across Switzerland. This independent observation of the price developments shows that, overall, Emmi pays a milk price that is above the average in the industry.

EXAMPLE Organic milk continues its upward trend

Accounting for 96 million kilograms of milk, Emmi is the number one processor of organic milk in Switzerland. The largest share of it is processed in the Biedermann organic dairy (canton of Thurgau), which has been part of the Emmi Group since 2005. This medium-sized dairy is renowned beyond Switzerland's borders for its innovative products, such as its organic lassi, and is also known as a very environmentally friendly company. Emmi wants to grow in this area at an international level too. The acquisition of a stake in German organic dairy Gläserne Molkerei in October 2012 was a first step in this direction.

EXAMPLE Collaboration with ZMP intensified

ZMP is not only one of Emmi's milk suppliers but also its major shareholder. This is often overlooked in the frequent debate surrounding milk prices in Switzerland and the relationship between milk producers and processors, or it is assumed to present a source for conflicts of interest. In reality, Emmi and its major shareholder and most important supplier operate independently of one another on the strategic and operational level but maintain a close relationship and dialogue at both levels. This leads to both parties gaining a profound understanding of the other's concerns and goals, which provides a solid foundation for a successful collaboration.

Coffee

Since the launch of Emmi Caffè Latte, coffee has become another key raw material for Emmi as the product's success depends to a considerable degree on an understanding of the right quality of coffee and the ideal processing of coffee with milk. Emmi purchased 1,000 tonnes of green coffee beans for the 100 million cups of this highly successful product produced in 2012.

Emmi Caffè Latte is not the only product to contain coffee, though: the coffee yogurts, for example, are the most popular yogurt variety sold in German-speaking Switzerland. However, they are not usually made with freshly brewed coffee but with coffee extract or powder. Emmi requires around 70 tonnes of this each year. Exception is the coffee yogurt from the PureSwissYogurt line, launched in fall 2013. This product is made with fresh coffee.

EXAMPLE Coffee is a science in itself

When developing Emmi Caffè Latte, it soon became clear that the flavour Emmi wanted for this product could only be achieved by using fresh coffee. So Emmi needed a partner with expertise in coffee, and the Rast gourmet roasting facility in Ebikon proved to be just perfect. Emmi and Rast then set about identifying the right coffee varieties. Emmi still fosters this close, longstanding and successful partnership, meaning that, for instance, challenges that may arise in the procurement of coffee beans from certified businesses can be overcome together.

Fruit

Fruit is an important component of many Emmi products, so the quality of the fruit is a top priority.

In 2012, Emmi bought 7,700 tonnes of fruit and 2,800 tonnes of fruit preparations for processing in Switzerland, with strawberries, apples, raspberries, cherries and pineapples being the fruits of which the greatest quantities were required. With the exception of tropical fruits, all fruit used in Emmi products is sourced in Europe.

EXAMPLE Swiss fruit in Emmi products

A lot of the fruit used in Emmi products is sourced from southern Europe, including fruit that grows in Switzerland – at least at the right season. However, as long as the quality and quantity meets its high requirements, Emmi uses fruit from Switzerland over fruit sourced from abroad, such as Basel cherries or Seetal apples for instance. For other fruit such as raspberries, the amounts required by Emmi are several times the total amount produced in Switzerland. Apples are available in greater quantities, but not at the consistent quality Emmi requires nor in the form needed for industrial processing. In order to be able to use more Swiss apples in the future, Emmi launched a project in 2011 in collaboration with the Swiss Fruit Association.

Sugar

In Switzerland, Emmi processes approximately 8,500 tonnes of sugar a year. Most of it is sourced in Switzerland, with some also sourced in Europe, South and Central America depending on availability and pricing. The crude sugar used for organic and fairtrade products is sourced exclusively from South or Central America. Every year Emmi processes around 1,000 tonnes of it.

EXAMPLE More independence with regard to fruit preparations

Emmi has been producing fruit preparations at its Emmen site for more than 20 years. However, until only a few years ago, the majority of the required amounts were purchased from other companies. With a view to becoming more flexible in the realisation of changes to recipes and to be able to use the freshest possible fruit preparations in its products, Emmi invested in the expansion of its own fruit preparation facilities in 2011. Today, some 100 different fruit preparations are produced in Emmen.

MORE INFORMATION

- More on Emmi's partnership with the Swiss agricultural industry: [SR 1](#), pp. 18–19
- Association of Swiss Milk Producers SMP: swissmilk.ch
- Milk sector organisation BOM: ip-lait.ch
- Central Switzerland Milk Producers' Cooperative ZMP: zmp.ch
- Biedermann Organic Dairy: biomolkerei.ch
- Gläserne Molkerei/Meierei: glaesernemolkerei.de
- Rast gourmet roasting facility: rast.ch
- Rainforest Alliance: rainforest-alliance.org



Production

In Switzerland, Emmi offers a full range of several thousand dairy products, most of which are manufactured and refined to a large extent within Emmi itself.

Production usually begins with raw milk, which is collected by special tanker lorries from the farm or from collection points and transported to Emmi. Once the milk has been delivered, it undergoes the first quality test before it is pumped into large tanks. Finally, the raw product – depending on the end product into which it will later be processed – is centrifuged, homogenised, microfiltered, pasteurised or ultra-heat treated and stored temporarily in tanks for a short time. After being pre-treated, the milk is processed further into dairy products, fresh products, cheese, fresh cheese and powders. Fresh products are particularly varied, and this creates a high level of complexity. These include all the varieties of yogurt products, milk-based beverages, desserts and ice-cream.

«Consumers want to understand what they are eating. Although packaging should offer added value, it should not be overly complicated.»

Christoph Hutter, Packaging Developer for dairy and fresh products

Since the introduction of Bircher müsli at the turn of the 20th century by Maximilian Oskar Bircher-Benner, this Swiss speciality has become an integral part of our day-to-day lives. Emmi also has various types of müsli in its range of products. In 2012, under the slogan «the three-course meal to go», the company launched a product that was a combination of «Knusper Müsli» and «Mix-it Yogurt» with a fruit base: Mix-it Müsli. The product's practical packaging makes it the ideal snack to enjoy while on the move. The yogurt pot is sealed with an aluminium snap-on lid, which ensures that the müsli stays crunchy. The lid also contains a handy spoon. The consumer can therefore mix the yogurt, fruit and müsli while they are fresh.



Tailoring the product to customers' needs

Manufacturing the end product is not the last stage of the production value chain for Emmi. One of the ways in which the company meets the individual requirements of customers and consumers for milk and fresh products is by developing different packaging sizes. For example, cheese can be purchased in the ideal form for any purpose.

EXAMPLE Cubed, not grated

Emmi also manufactures wheels of cheese. However, only a very small number of consumers want to buy an entire wheel of cheese. It therefore used to be customary to have the desired amount of cheese cut from the wheel and packaged at a serviced cheese counter or a specialist retailer. Later on, this was replaced by pre-packaged cheese portions at many cheese counters. For around 40 years, new technology has allowed cheese counters to use more practical packaging sizes, such as wedges or blocks. Furthermore, a varied range of products was introduced to the self-service shelf, including portions, slices, rolls, chunks, rosettes and grated cheese – to name but a few. Emmi has optimised the number of products on offer with its traditional range of cheese varieties under the Emmi brand, such as Sbrinz AOC (see image).



An ideal combination: optimisation programmes and idea management

The variety of Emmi's range of products is also reflected in its processes, particularly in the complexity of production. In order to achieve a cost structure that is internationally competitive, given the wide range of products on offer and, compared with other countries, comparatively low production volumes, Emmi has consistently implemented cost management over a number of years. This is based on the principle of optimising, not minimising. Cost-cutting targets are set centrally, while implementing the specific measures is the responsibility of the businesses (see section Organisation). Employees are important suppliers of ideas; they are directly involved in operations and are the best informed about the processes and their weaknesses. Consequently, Emmi has incorporated idea management into the optimisation programme. Rewarding good ideas is a key motivator, which has allowed Emmi to develop and implement hundreds of good ideas – particularly in production and logistics – in recent years.

EXAMPLE Kirchberg: outstanding success thanks to «Kaizen»

In 1999, Emmi took over the specialised cheese manufacturing facility in Kirchberg. In order to increase motivation and loyalty among the employees and to enhance the efficiency of processes, Emmi launched a pilot project three years ago based on the Japanese management philosophy «Kaizen». According to the «Kaizen» methods, company-internal processes, e.g. mechanical failure, error rates or maintenance costs, are reviewed based on efficiency. By eliminating weak points and developing standards, processes can be improved on an ongoing basis. An important element of «Kaizen» is motivating and enabling employees to bring their own ideas to the continuous improvement of processes. At the Emmi site in Kirchberg, the method resulted in significant cost reductions and higher levels of motivation and employee involvement within three years. In recognition of this, the Emmi site in Kirchberg was presented with the SWISS Lean Award.

MORE INFORMATION

- Production process for individual products: [SR 1 p. 25](#)
- Product range of the Emmi brands in Switzerland: [group.emmi.com](#) > Product finder
- Biedermann Organic Dairy range: [biomolkerei.ch](#) > Produkte
- Lalaria Engiadinaisa (LESA) range: [lesa.ch](#)
- Studer cheese dairy range: [kaeserei-studer.ch](#) > Produkte
- Information about Emmi's optimisation partner: KAIZEN Institute Switzerland, [kaizen.com](#)
- Solving Efeso: [solvingefeso.com](#)



Distribution

Emmi supplies between 6,000 and 8,000 pallets to its customers every day. To best manage these volumes, Emmi maintains its own distribution logistics in Switzerland. This begins with the storage of the freshly manufactured products at all major locations. Where no full lorry loads can be sent from a location, customer deliveries are mainly dispatched via the three major logistics platforms in Emmen, Suhr and Ostermundigen. Here, the orders placed by customers are put together and then delivered, meaning that customers receive a maximum of goods in a minimum number of deliveries. This concentration enables Emmi to significantly reduce the complexity of its logistics and the costs of transport, which is still largely by road.

Customer orders are processed under time pressure: large customers generally place their orders in the afternoon or evening and expect delivery the following morning between 5 a.m. and 8 a.m. To ensure this high degree of availability, most lorry runs start between 2 a.m. and 4 a.m., Monday to Saturday.

Over 200 times around the Earth

Between 120 and 150 goods vehicles are underway on Swiss roads to distribute Emmi products every day, including some 60 vehicles owned by Emmi. They cover around 6.6 million kilometres every year. A further 1.7 million kilometres are driven by the some 100 lorries of Emmi's subsidiaries Baumann Käse, the Biedermann organic dairy and Emmi Frisch-Service. The 8.3 million kilometres covered every year by the Emmi fleet correspond to roughly 200 trips around the world.

Avoiding unloaded and unnecessary journeys is key in optimising distribution logistics. Where possible, return journeys are therefore used to collect packaging materials or empty containers from customers, or to transport other goods.

Not only goods movements are being optimised

One of the key tasks of Emmi Logistics is optimised movement of goods. At the same time, Emmi's business activities require a large number of movements of staff. In light of this, the subject of the sustainability motto for 2014 is «Mobility». The mobility patterns of Emmi employees will be analysed and subsequently optimised.

EXAMPLE Traffic jams in the Gotthard tunnel are a thing of the past

For around 20 years, a central pillar of Swiss traffic policy has been to shift trans-Alpine goods transport from the roads to rail. Despite this, a growing number of lorries still thunder their way through the Gotthard tunnel. This is due to the short transport distances, the lack of alternatives and the high costs. In addition, certain logistics obstacles still have to be overcome. For example, it was previously not possible for Emmi to ship goods directly to customers in Ticino by rail. This is where Coop subsidiary railCare comes in. It now offers a modular transport chain that uses special mobile containers, thus flexibly combining the benefits of road and rail transport. Emmi has decided to use this system and now concentrates all products destined for Ticino's Coop branches in Emmen, Kirchberg, Ostermundigen and Suhr where the packaged orders are then loaded on to the mobile containers. They are then taken by lorry to Oensingen, where they are loaded on to the train and subsequently transported through the Gotthard tunnel directly to the Coop distribution centre in Castione. Today, around 1,200 pallets are transported through the tunnel by rail rather than by road each month. This is equivalent to more than 700 lorry loads per year, consuming tens of thousands of litres of fuel. Between January and September 2013, this measure reduced CO₂ emissions by around 66 tonnes. Emmi is already planning to supply further distribution centres by rail.

EXAMPLE Tests with biodiesel

Emmi's lorries use just under two million litres of fuel every year. Given this large volume, Emmi believes that it is worthwhile to regularly look into using alternative technologies and fuels. One interesting alternative for heavy goods vehicles and long distance transport is biodiesel. Biofuel is easy to handle, available in commercial quantities and can be mixed with conventional diesel fuel. There are many factors in favour of biodiesel: it contains no paraffin, benzene or other toxic substances, and is low in sulfur. The biodiesel sold in Switzerland is obtained from organic waste and residues that do not compete with the food chain. Despite impressive advantages, this fuel has yet to convince Emmi in the tests performed to date. Further testing is in progress.

EXAMPLE Economical driving lowers fuel use

When its lorries cover 6.6 million kilometres every year, it is of considerable interest to a company for the driving behaviour of its lorry drivers to be top-rate. Emmi therefore holds regular training for its drivers, including «eco drive». By teaching economical driving, average fuel requirements have been cut from 30.4 litres to 29.2 litres of diesel per 100 kilometres in the last five years.

EXAMPLE Observing stricter Euro emissions standards is becoming the norm

A total of 156 own lorries travel across Switzerland on behalf of Emmi, 63 of which for Emmi distribution logistics and the remainder for Emmi subsidiaries. Of the 63 lorries, 86% already met the Euro 5 emissions standard as at the end of 2012. By the same date, 62% of the subsidiaries' lorries met the Euro 4 or Euro 5 standard. Emmi plans to replace its remaining Euro 3 lorries with state-of-the-art vehicles that meet the Euro 6 standard this year.

EXAMPLE Environmentally conscious people travel by train

Rail travel can easily be booked online at Emmi. This service was used more than 2,200 times in 2012, and Emmi employees covered some 475,000 passenger kilometres by train. Travelling by rail instead of by car reduced CO₂ emissions by 89 tonnes. This excludes all journeys made by Emmi employees which were not booked using the online tool.

MORE INFORMATION

- Emmi Frisch-Service: emmi-interfrais.ch
- Burra: burra.ch
- railCare: railcare.ch



Sales and Marketing

Emmi distributes its products in Switzerland via its own sales organisation, primarily to the retail trade, the food service sector and the food industry. The company thus has a comprehensive distribution system.

The needs of these various customer segments vary greatly, and they are therefore looked after by different sales units.

Retail

Emmi does not only supply Swiss retailers with brand products, but also offers private label solutions including organic, regional and speciality products.

In addition to Coop, Migros is also a longstanding partner of Emmi. The company also supplies all other major Swiss retailers, including Volg, Denner, Spar and Manor.

Marketing

Emmi product sales are supported by comprehensive marketing measures. Private label products are developed by marketing experts in collaboration with clients. As part of its Marketing organisation, Emmi maintains a Trade Marketing team, the role of which is primarily to strengthen collaboration with retailers, implement channel-specific activities and projects, and target increased sales for the retail partner and, as a consequence, for Emmi. The Trade Marketing team ensures in particular that marketing campaigns are implemented in the best way at the point of sale, where consumers make their purchase decisions. The Emmi Marketing team use their expertise to support retail partners in putting together the right range of dairy products for their stores and presenting these in an attractive way.

Sponsorship

In addition to product communication, Emmi also seeks exchange with target groups and to increase public awareness of the company through sponsorship. The focus of Emmi's sponsorship activities has been Alpine skiing for a number of years now. Activities in this area include the official partnership with the FIS World Cup and Swiss Ski (the Swiss ski association); title sponsorship of SNOWstar, the international competition for young, up-and-coming skiers; and support for individual athletes.

At regional and local level, Emmi donates products for cultural, sporting, community and social events, including the Swiss City Marathon in Lucerne. In addition, on an annual basis, Emmi supports at least 1,000 sport and school camps and selected events with products, principally close to its main production locations.

EXAMPLE Promoting sustainable products together

Coop has been declared the world's most sustainable retailer by independent rating agency Oekom Research. It owes this accolade not only to measures within its own operations, but also to the promotion of sustainable products by partner companies, such as Emmi, which manufactures numerous dairy products for Coop's organic brand «Naturaplan». To mark the 20th anniversary of Naturaplan, for example, organic versions of the classic brand cheeses LUZERNER Rahmkäse and GALA Doppelrahmkäse, which are manufactured by Emmi, were launched.

Consumer service

Emmi does not sell directly to consumers. Nonetheless, the company cultivates its relationship with them at as many levels as possible. Market Research surveys consumers on their needs with regard to product innovations and refinement. At points of sale and trade fairs, the Tasting team gives tips on how to use Emmi products in hot and cold dishes. And after purchase, Emmi Consumer Services is available to answer any concerns about Emmi products and deal with suggestions and complaints.

EXAMPLE *In direct contact with consumers*

The Tasting team spends around 3,000 man-days representing Emmi in retailers and at various public and trade fairs, to present products and how they can be used in practice to consumers. This gives a wide section of the public the opportunity to try, obtain information on them and buy Emmi products. At the LUGA Adventure Fair of Central Switzerland alone, more than 300,000 sample portions are given out every year. Emmi has a pool of 180 tasters for these activities.

EXAMPLE *Assistance in the food jungle*

Many Swiss people are extremely interested in healthy eating. The wide range of foods available means that there is something to meet almost every need. But consumers often find themselves overwhelmed by the sheer variety. Emmi offers assistance – it pays an external nutritionist to provide independent answers to nutritional questions on dairy products.

«An ever-increasing number of consumers appreciate wholesome goat's milk products.»

Martin Küttel, Project Manager Cheese Development

Many consumers scrutinise their eating habits critically. The types of foods that are primarily in demand nowadays are as natural, healthy and wholesome as possible. This demand can be met, for example, by goat's milk products, as the fat and protein compositions of goat's milk differ from those of cow's milk, making it more easily digestible for many people. It is therefore hardly surprising that the Swiss market for goat's milk cheese, and particularly fresh cheeses, is experiencing dynamic growth.

Emmi acquired the rights for «Le Petit Chevrier» in 2011 and relocated the manufacturing of the Kaltbach cheese dairy from the end of the same year. Since then, the company has been very active in goat's milk products in Switzerland. These are available from Swiss retailers and in selected specialist shops.



Food service sector

Emmi supplies customers in the food service industry via its subsidiary Emmi Frisch-Service AG as well as a range of wholesalers. The focus of the Food Service department at Emmi is on customer service, that is to say supporting partners in developing food service concepts, communicating tips on use and providing advice with regard to restaurants, hotels, residential homes and hospitals.

The Emmi range tailored to the food service sector includes attractively priced bulk packs of, for example, milk, butter and cheese fondue; easy to handle formats such as mozzarella sticks; and ready-to-serve convenience products including Sbrinz AOC rolls, Tête de Moine rosettes and break-fast portions.

Food industry

At its facilities in Dagmersellen and Suhr, Emmi manufactures butter and milk powder – dairy products that are particularly relevant for the food industry. Key customers in this segment include chocolate manufacturers and butter processors.

These companies are not only customers to Emmi, but partners in terms of representing the interests of the Swiss food industry, for example, via the Federation of Swiss Food Industries (fial).

EXAMPLE Creative collaboration with the finest Swiss chefs

In the fiercely contested Swiss food service market, in which Swiss providers compete with renowned international food companies, Emmi distinguishes itself through its strong focus on customers and their needs. That is why Emmi maintains a close relationship and dialogue with chefs in the catering industry. Emmi has been involved as a co-sponsor of the Swiss Junior National Culinary Team since 2004 and also supports «gusto», the apprentice competition in which young culinary talents get a chance to demonstrate their skill. The company's involvement was stepped up in May 2013 through its partnership with the Swiss National Culinary Team.

As such, Emmi has the opportunity to discuss current culinary trends, innovations and possible scope for improvement in the area of dairy products for the catering industry with some of Switzerland's top chefs. The collaborative creation of recipes in particular has proven to be very successful in the past, such as in the case of Emmi QimiQ, the single cream base for easy, quick and light cooking.

MORE INFORMATION

- Naturaplan products: naturaplan.ch
- Nutritional information provided by Emmi: group.emmi.com > Nutrition
- Information on Emmi's sponsorship commitments: group.emmi.com > Sponsoring
- Federation of Swiss Food Industries (fial): fial.ch
- Swiss National Culinary Team: hotelgastrounion.ch > Berufsverbände > Schweizer Kochverband

Quality

In terms of its self-image and communication with stakeholders, particularly clients and consumers, Emmi positions itself as a supplier of high-quality dairy products. Quality assurance throughout the entire value chain, especially in procurement and production, is therefore of high strategic importance.

Preamble: Emmi quality policy

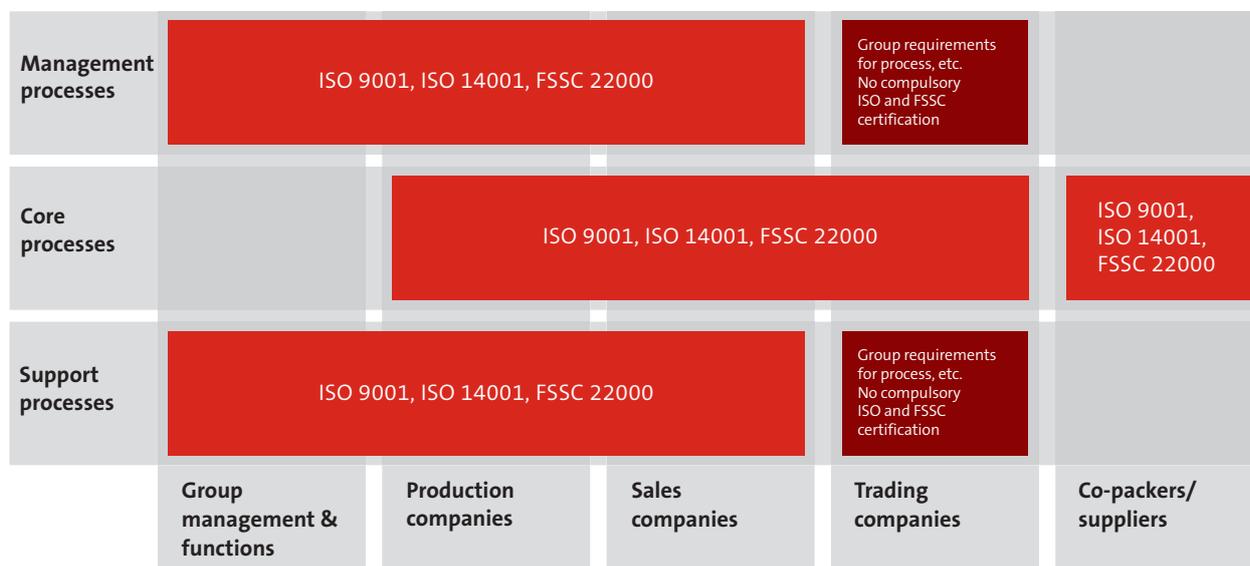
«Premium products must guarantee a high level of quality. We are obliged to pay the closest possible attention to the safety of the goods we produce and sell.»

At Emmi, quality management is implemented centrally as part of our Quality, Environment and Safety activities. Like environment and safety, quality management is implemented at local level. In addition to the central Quality Management team, around 80 people at the various sites work to deliver quality assurance. They advise, support, assist, monitor, and perform audits.

To ensure food safety and high product quality, Emmi operates a comprehensive quality management system which is certified to ISO 9001 and FSSC 22000; this is complemented by quality management systems that integrate customer requirements.

The Emmi quality management system incorporates risk analyses for all process steps. One key instrument is the HACCP (Hazard Analysis and Critical Control Points) concept, which is based on self-regulation and established in the food industry. To ensure that food is safe for consumption, producers must be aware of all the hazards associated with their production processes that could pose a risk to health or product quality. For food, these hazards include foreign objects, allergens or biological hazards such as microorganisms. At Emmi, these potential hazards are recorded in process-oriented HACCP studies for all products.

Fig. 5: Emmi certification map



However, product hazards do not only exist in the company's own operations. To understand the risks associated with raw materials, Emmi uses external expertise. One important source of information is the Safefood-Online database, which contains information from the Rapid Alert System for Food and Feed (RASFF) and all other available data on current food risks. This allows Emmi's Quality Management team to make a rapid and sound assessment of risks and their possible consequences.

However, in spite of all these measures, Emmi is aware that it is impossible to rule out every food-related risk. In the interests of forward planning, Emmi's Quality Crisis Management team has a clearly defined process to respond to quality problems. Crisis management includes various stages of product recall, from withdrawal from the warehouse – for example in the case of a packaging error – to a public product recall. No such action was required during the reporting period.

Certifications

Emmi has a set of detailed certification principles which are geared towards the various processes within the company. In the core business, i.e. the production and distribution of food, all Emmi Group companies are certified in accordance with ISO 9001, ISO 14001, FSSC 22000 and BRC; this does not apply to the trading companies. Emmi's central laboratory is also certified in accordance with ISO 17025.

Labels

Just as certificates are important to trading partners, labels are important to consumers. They provide a signpost for consumers consciously seeking to buy products with added value. Emmi's Quality Management team currently manages more than 20 labels and their respective rules and standards. As the large number of labels is creating a growing workload for Production, Emmi is currently devising a label strategy.

Product-related labels

AHA

This Swiss allergy label is a quality seal for products which are particularly suitable for individuals who suffer from allergies or intolerances to certain ingredients, such as gluten or lactose.

Alpinavera

Label for Alpine and mountain products from the mountain cantons of Glarus, Grisons and Uri.

AOC (Appellation d'Origine Contrôlée)

AOP (Appellation d'Origine Protégée)

Internationally protected quality label for natural products with an identity which is strongly linked to the region from which they originate.

Fairtrade/Max Havelaar

International labels for fairly traded products.

Glutenfrei (Gluten-free)

Swiss label for gluten-free products.

GM-free

Label for animal products produced without the use of genetically modified feed or raw ingredients and auxiliary substances for processing.

Halal

International label for foods produced in accordance with the requirements of Islam.

IP Suisse/Terra Suisse

Swiss quality seal for products manufactured in an animal- and environmentally friendly way.

Kosher

International label for foods whose production is legitimised by a rabbi.

Mountain and Alpine Ordinance

Swiss law on the use of the terms «mountain» and «Alpine» for food products.

Organic

Various labels for certified organic products: BIOSUISSE, Demeter, Manor Bio, Naturaplan.

Regional products

Labels of the various regional cooperatives of Swiss retailers Coop and Migros (AdR Migros Aare, AdR Migros Basel, AdR Migros Luzern, Culinarium (Eastern Switzerland)).

SpigaBarrata

Italian label for gluten-free products.

SUISSE GARANTIE

Guarantees that products have come from Swiss farms and have been processed exclusively in Switzerland.

V-Label

Swiss label for products that are completely free from animal ingredients.

Wiesenmilch

IP SUISSE label for milk from cows that are fed less concentrated feed and no soya.

Other labels**Best Board Practice**

Label of the Swiss Association for Quality and Management Systems (SQS) indicating documented compliance with corporate governance guidelines.

FSC (Forest Stewardship Council)

Label for forestry products, e.g. cardboard for Tetrapaks, sourced from responsibly managed forests.

Rainforest Alliance

Quality label of an international environmental organisation which aims to curb the deforestation of rainforests and environmental destruction.

SMETA (Sedex Members Ethical Trade Audit)

International audit of Sedex (Supplier Ethical Data Exchange) relating to labour standards, health and safety, and the environment.

EXAMPLE Highlighting the advantages of Swiss dairy products

Swiss consumers are accustomed to a high standard of food quality. Most consumers in Switzerland take it for granted that the foods they buy are free from GM ingredients. Criteria like these are considered as a matter of course, and therefore may not be specifically promoted in Switzerland.

But in Emmi's foreign markets, this is not the case. Emmi has therefore decided to actively communicate this advantage of its Swiss products on packaging in the future. In March 2013, Emmi was inspected and certified by q.inspecta GmbH for compliance with the NON GMO standard in accordance with Regulation 1829/2003 of the European Parliament and of the Council of 22 September 2003 on genetically modified food and feed.

MORE INFORMATION

- Certificates and labels at Emmi: [SR 1](#) pp. 20–23
- Overview of certificates held by all Emmi facilities: [easy-cert.ch](#)
- Food risks database: [safefood-online.de](#)

- Best Board Practice®: [sqs.ch](#) > Services > Products > Labels
- Forest Stewardship Council: [fsc.org](#)
- Rainforest Alliance: [rainforest-alliance.org](#)
- Sedex: [sedexglobal.com](#) > ethical audits

Economic activities

Emmi has formulated the vision of long-term success as an independent company in open markets. The goal is to achieve annual sales growth of 2% to 3%, a net profit margin of 2.5% to 3.5%, and to maintain a solid equity ratio of at least 40%.

The Emmi corporate strategy forms the basis to achieve these goals. It defines that the company intends to strengthen its market-leading position in Switzerland, pursue targeted international growth and implement rigorous, long-term cost management.

Equipped for a competitive domestic market

The Swiss food market is highly competitive. Since 2011, Switzerland has become even more attractive for foreign suppliers due to the strength of the Swiss franc. Emmi therefore not only has to hold its ground against domestic, but also against foreign competition, particularly in the area of cheese but also in fresh products. In this environment, Emmi operates with clear strengths: firstly, a full range of high-quality dairy products and secondly, a comprehensive range of services for its customers. These enable the company to enhance its reputation as a professional and reliable partner, and lay strong foundations for the future in a competitive environment.

Emmi's most important customers in Switzerland are the retail trade, the food service sector and the food industry. All three segments have been affected in recent years by the challenging economic situation in Europe, although to differing extents.

Swiss retailers suffer due to retail tourism

Over the past two years, the Swiss retail trade has had to contend with the consequences of the strong Swiss franc. In 2011, retail sales fell from CHF 97.8 billion to CHF 96.3 billion. In 2012, the figure rose again slightly to CHF 96.8 billion, although there was a decline of almost 2% in the food industry. The strong Swiss currency prompted many consumers to shop in neighbouring countries. In 2012, cross-border purchases by Swiss nationals amounted to CHF 8.9 billion according to GfK, half of which was retail tourism. A total of CHF 1.325 billion was spent on food outside Switzerland. Dairy products were the second most popular category after meat and fish, accounting for CHF 215 million worth of sales.

Swiss retailers responded to this trend with price reductions, which included dairy products. These reductions were passed on down the value chain, first to processors and ultimately to milk producers.

Glimmer of hope for hospitality and the food service sector

The Swiss hospitality industry and food service sector also suffered as a result of the strong Swiss franc. Although domestic demand remained constant according to economic research institute BAKBASEL, demand from abroad continued to fall. It is expected that the Swiss hospitality industry and food service sector will hit their lowest point in 2013 and return to growth in 2014. This development would also be good news for suppliers like Emmi.

Industrial segment largely stable

Emmi's industrial business is based mainly on sales of basic dairy products and butter – i.e. products in a protected market segment – to the Swiss food industry. This business is less vulnerable to economic cycles than other industries and therefore more resistant to crisis – thanks also to the fact that Swiss foods are very well regarded abroad. But the strength of the franc also posed a challenge to Emmi's industrial customers, for example the chocolate industry. This was counteracted by stable domestic consumption.

Focus on key markets

In the reporting period, Emmi's key markets outside Switzerland were Germany, the UK, Italy, Austria, the Benelux countries, Spain and the US. The company has expanded its international business in these countries considerably. In addition to its key markets, Emmi also selectively leverages opportunities in other markets and works closely with strategic partners.

Cost efficiency in production and administration

Emmi regards efficiency as a key factor in success. The company is building efficient structures that conform to European standards through measures to increase productivity and rigorous cost management. The cumulative effect of these measures implemented at all locations enables several million Swiss francs to be saved every year.

Since 2009, cost management has been steered by Corporate Development. This department has coined the phrase Emmi Operational Excellence (EOE). EOE is the ability to implement cost requirements from the market and strategy, and to create conditions for the implementability of these requirements. At Emmi this means processes, organisation and tools such as IT. EOE is implemented in every area of the business. In an annual planning process, key topics are identified along with their savings potential. Potential savings

identified by employees in the various areas in their day-to-day work are also exploited. A quarterly review takes place at Group Management level.

Domestic market environment

The legal framework of the Swiss dairy industry has undergone many changes in recent years and the process of transformation is still ongoing. In 2007, the cheese market with the European Union was fully deregulated; customs duties on fresh products such as yogurt are low. The only products on the Swiss dairy market that still enjoy complete protection are the basic products: milk, cream and butter. Because the market is shared by only three big companies (Emmi, Estavayer Lait and Cremo), this segment of the Swiss dairy industry attracts more attention from monitoring institutions.

Fig. 6: Development of economic key figures of Emmi Group

Amounts in CHF million	2012	2012 adjusted*	2011	2010	2009
Net sales	2,981		2,721	2,684	2,619
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	271.4		239.3	233.6	208.3
as % of net sales	9.1		8.8	8.7	8.0
Earnings before interest and taxes (EBIT)	165.7	146.3	130.3	135.8	109.0
as % of net sales	5.6	4.9	4.8	5.1	4.2
Net profit	106.2	90.3	83.0	86.1	75.3
as % of net sales	3.6	3.0	3.0	3.2	2.9
Investment in fixed assets (excl. acquisitions)	131.3		98.0	107.0	77.5
as % of net sales	4.4		3.6	4.0	3.0
Headcount (full-time equivalents)	5,074		3,890	3,701	3,525
Net sales per employee in CHF 000s (average value)	665		717	743	759
Volume of milk and cream processed in million of kg	1,220		1,017	992	943
	31.12.2012		31.12.2011	31.12.2010	31.12.2009
Total assets	2,323		1,949	1,729	1,655
of which shareholders' equity incl. minority interests	1,165		1,023	977	916
as % of total assets	50.2		52.4	56.5	55.3

* Adjusted for extraordinary gains from the disposal of property, plant and equipment, primarily the former Butterzentrale in Lucerne. The extraordinary gains had an impact of CHF 19.4 million on EBIT respectively CHF 15.9 million on net profit.

In spite of this concentration, there is functioning competition, although this segment is less competitive than those to which foreign suppliers have access. Challenges to Emmi include yogurts, for example, where Swiss origin is not essential to many Swiss consumers. And although there are few foods more Swiss than cheese, imports of cheese products are also steadily increasing. In 2012, cheese imports amounted to 50,000 tonnes. For comparison, in the same period, Switzerland exported 67,000 tonnes of cheese.

Emmi on the capital market

Emmi has been listed on the Swiss stock exchange since December 2004. The share price has been solid since the beginning. After remaining just in the positive range for the first five years, Emmi shares rose by 75 % between January 2010 and December 2012. This positive trend reflects Emmi's strategy, which remains robust and sustainable even in times of crisis.

Over the last few years, the dividend paid out by Emmi has amounted on average to around CHF 3.00 per share.

Continual dialogue with investors

Financial institutions Helvea, J. Safra Sarasin, Kepler Cheuvreux, UBS, Vontobel and Zürcher Kantonalbank regularly publish studies on Emmi. Five of these express a buy or hold recommendation for Emmi shares.

Stable shareholder structure

Emmi's principal shareholder for many years, with 54.3 % of shares (as at 31 December 2012), has been ZMP Invest AG, a subsidiary of the Central Switzerland Milk Producers Cooperative (ZMP). Together with the Zentralschweizer Milchkäuferverband (4.7 % of shares) and the Milchverband der Nordwestschweiz (3.6 % of shares), it forms a group as defined by Swiss stock exchange law.

ZMP is based in Lucerne and represents the interests of milk producers in central Switzerland. Counting more than 3,500 members with an annual production of 431 million kilograms of milk, ZMP is one of the largest and most important producer organisations in Switzerland. It buys its members' milk, sells it to processors and organises logistics.

The cooperation between Emmi and ZMP, in its dual role as principal shareholder and largest milk supplier, has proved its effectiveness over the last few years. ZMP, represented in the reporting period by three of its board members and two representatives on Emmi's Board of Directors, supports Emmi's market-oriented strategy and consistently implements the segregation of strategic and operational issues. Since 2011, ZMP members have been directly participating in Emmi's success. The repayment of the dividend paid to ZMP is passed on to ZMP members on the basis of a contractually agreed milk volume. The average payment in 2012 was just under CHF 900 per producer.

Another established shareholder is Lombard Odier Asset Management (Switzerland) SA. The remaining shares are currently owned by just under 5,500 shareholders, compared with 4,650 in 2010. The majority of these shareholders are private individuals resident in Switzerland with smaller share packages of between one and 50 shares.

Although Emmi does not have a share ownership programme, most members of the Board of Directors and Group Management are shareholders.

Fig. 7: Geographical membership structure of the ZMP

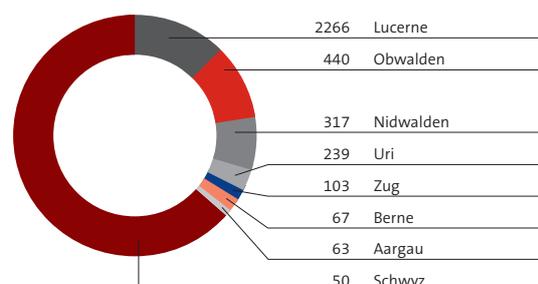
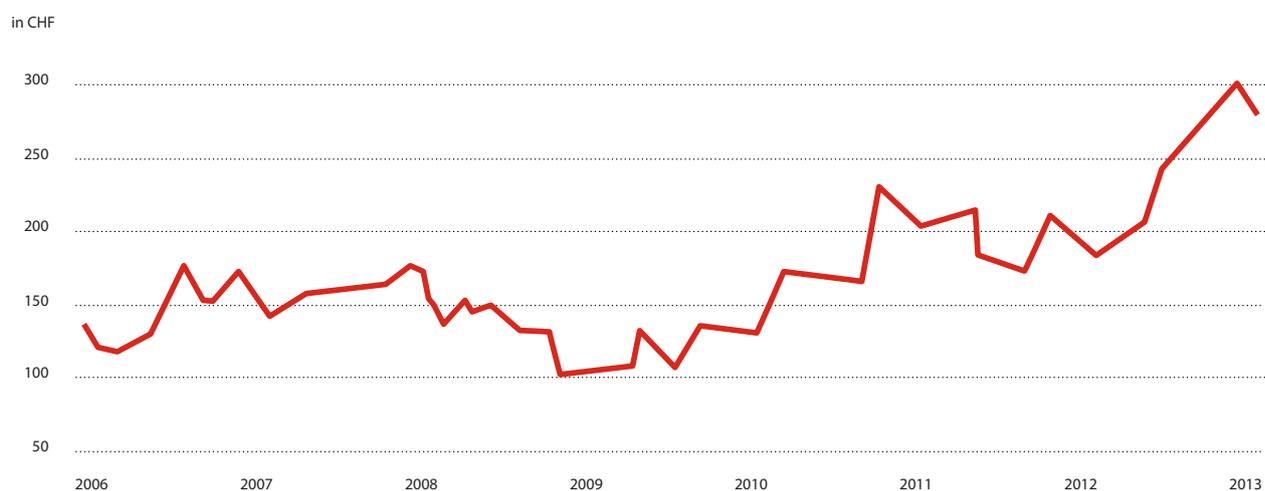


Fig. 8: Development of Emmi share price since issue**MORE INFORMATION**

- Financial reports 2011 and 2012: [AR 2011](#), pp. 51–89, [AR 2012](#), pp. 49–91
- Half year result 2013: [HYR 2013](#)
- Information about the Swiss retail industry: GfK Switzerland [gfk.com](#)
- Information about Swiss tourism: BAKBASEL [bakbasel.ch](#)
- Federation of Swiss Food Industries (fial): [fial.ch](#)
- Information about risk management and internal controls: [AR 2011](#), p. 78, [AR 2012](#), p. 75
- Share information: [AR 2012](#), p. 91, [AR 2011](#), p. 89
- Shareholders: [AR 2012](#), p. 86
- Holdings of Board of Directors, Agricultural Council and Group Management: [AR 2012](#), p. 88

Environmental activities

As with many manufacturers, the roots of Emmi's commitment to sustainability lie in environmental activities. A commitment to protecting the environment has been anchored in Emmi's environmental policy for almost 20 years. It forms the foundation for the environmental management system (EMS) integrated the company's activities.

Preamble: Emmi environmental policy

Emmi is committed to environmentally friendly company management and behaviour. Emmi refrains from using any genetically modified organisms in its development and production activities.

Since the mid-1990s, an environmental organisation integrated in Emmi's production facilities has ensured that environmental guidelines and regulations are observed and reviewed on a regular basis. Emmi's facilities in Switzerland have been certified to the international environmental management standard ISO 14001 since 1997, and are audited on an annual basis. At the Emmi Group, environmental management is steered centrally as part of Quality, Environment and Safety (QES) activities. It cascades environmental targets

specified at Group level down to the individual locations and formulates environmental programmes with quantitatively and qualitatively measurable goals that are implemented locally. The managers in charge of each location are responsible for ensuring that the environmental organisation is efficient and adapted to specific environmental impacts. In Switzerland, Emmi's environmental management activities comply not only with ISO 14001 but also with national, cantonal and local legislation, requirements and regulations as well as internal requirements such as the management system and the various guidelines and instructions.

Emmi's environmental management concept encompasses energy, noise, waste disposal, chemicals/harmful substances, water, waste water, environmental records and legal compliance. Process managers and environmental officers at the locations are given specific, fully documented tasks relating to individual issues. In regular communication with the public, Emmi focuses on key figures for energy, water, CO₂ and waste, which can also be found in the regularly published environmental index (see fig. 9 below). Product sales should always be taken into consideration when interpreting these figures.

Fig. 9: Environmental index Emmi in Switzerland 2008–2012

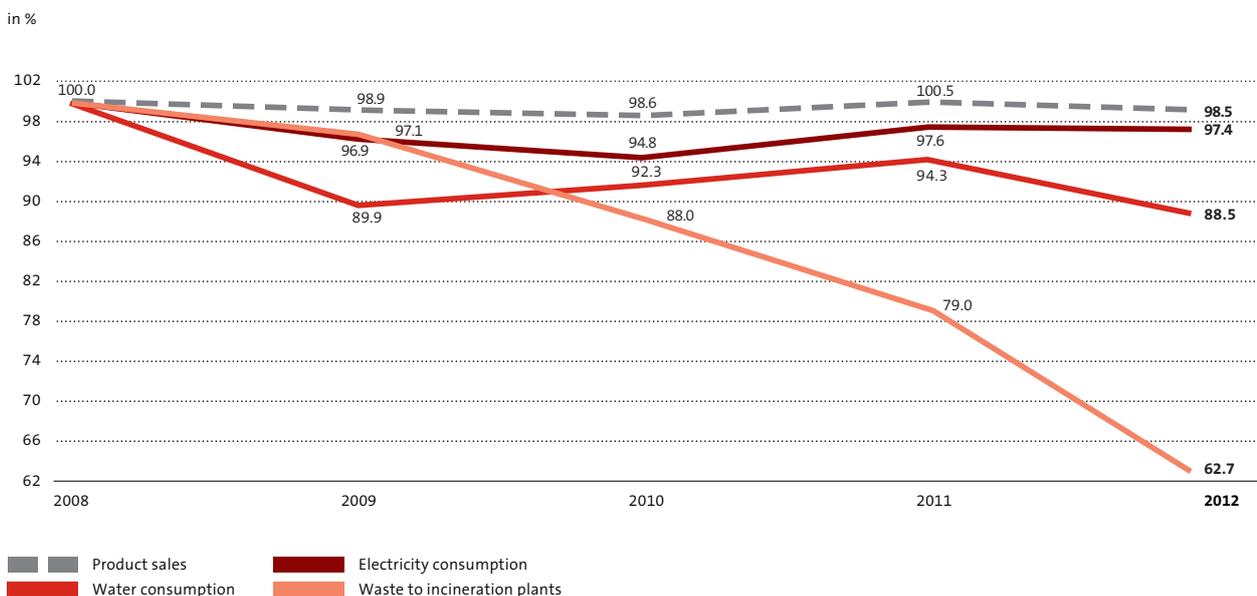


Fig. 10: Key environmental figures

	2012	2011	2010	2009	2008
Product sales in t	610,836	623,234	611,956	613,736	620,406
Electricity consumption in million kWh	121.3	121.6	118.2	121	125
Electricity consumption/product sales in kWh/t	199	195	193	197	201
Water consumption in million m ³	2.9	3.0	3.0	2.9	3.2
Water consumption/product sales in m ³ /t	4.7	4.9	4.9	4.7	5.1
Waste volumes in million kg	2.0	2.5	2.8	3.1	3.2
Waste volumes/product sales in kg/t	3.3	4.0	4.5	4.9	5.0
CO ₂ emissions in t	35,752	36,493	37,134*	37,953	41,259
Volume of milk in t	882,000	896,000	873,000	834,000	880,000
CO ₂ emissions/volume of milk in g/kg	40.5	40.7	42.5*	45.5	46.8

* The environmental figures for 2010 published in SR 1 (August 2011) vary from the figures shown in this illustration. This is due to the integration of Fromalp, acquired in 2010, in Emmi's environmental figures system, at the end of 2011.

Energy

The production of dairy products is an energy-intensive process. In addition to production, maintaining the cold chain during transport and storage, and heating and cooling the raw materials during processing consume large amounts of energy. The most commonly used energy sources at Emmi are electricity, fossil fuels (mainly gas) and vehicle fuels (mainly diesel). At around 120,000 megawatt-hours (MWh), the electricity consumption of all Emmi facilities in Switzerland is the same as approximately 20,000 average Swiss households. In Switzerland, Emmi buys standard mixed power.

The Emmi Group has been a member of the Energy Agency for Industry (EnAW) since 2003 and reviews its energy policy on a regular basis to continually optimise its energy requirements. Emmi is working to improve its energy efficiency and replace CO₂-intensive energy sources with lower-carbon alternatives. Where technically and economically feasible, for example, oil-fired systems have been replaced with gas-fired ones and renewable energy sources are being used such as wood in Emmen and Bischofszell and solar power in Bischofszell, Bever and Saignelégier. Where possible and viable, energy-saving devices and controllers such as frequency converters are fitted on fans and pumps whenever conversion or reinstallation work is carried out.

EXAMPLE Investment in energy-saving forklift trucks

In Switzerland, Emmi must replace between 40 and 50 industrial trucks every year because of age. Recently, energy consumption was added to the list of selection criteria for the purchase of replacement trucks – with the result that the new forklifts consume around 20% less power than the old ones.

Fig. 11: Total energy consumption for Emmi in Switzerland

Source: EnAW

in megawatt hours per year

	2012	2011	2010
Heating oil (extra light)	19,733	17,137	20,500
Heating oil (medium and heavy)	—	—	—
Natural gas (fuel)	153,321	159,929	156,028
Petrol	477	438	437
Diesel oil	21,428	25,922	21,774
District heating (consumption)	17,888	17,875	17,850
District heating (production)	-985	-950	-975
Electricity*	119,130	120,344	117,649
Wood chips, pellets	2,166	2,156	2,022
Biogas (own production)	1,273	1,685	1,081
Rapeseed oil methyl ester	149	213	80
Total	334,581	344,750	336,446

* The EnAW monitoring covers all Emmi locations that are included in the universal agreement with the federal government (production sites). Emmi Interfrais SA, Burra AG (respectively Emmi Frisch-Service AG), Baumann Käse and Frenkendorf are not included.

EXAMPLE HSLU helps Emmi save energy

The Emmi production facility in Langnau, Emmental, requires very large amounts of thermal and electrical energy to make its Gerber fondues and Gala processed cheese. The company therefore joined forces with the Mechanical Engineering department at Lucerne University of Applied Sciences and Arts (HSLU) to find ways of improving energy efficiency.

As part of a dissertation, between autumn 2012 and spring 2013, two students carried out a pinch analysis – an internationally tested approach to the systematic optimisation of energy consumption in processes. Using

the results of the analysis, four measures were proposed to increase efficiency. The measures are expected to reduce heating oil consumption at Langnau by up to 8%. The use of the flue gas produced when the oil is burned to preheat water for steam production holds particular promise.

The facility in Emmen already has a good level of energy efficiency. An energy analysis in 2012 revealed further potential: for example, using heat generated from cooling storage areas and heat from waste water could reduce annual energy costs by around 10%. Students from HSLU have been carrying out an in-depth pinch analysis on this basis since April 2013. Their final report in the late autumn will reveal where energy efficiency can still be improved.

EXAMPLE LESA in Bever: mountain sun reduces fossil fuel consumption

Not only is LESA Europe's highest dairy at 1,706 metres above sea level, it is also one of the most progressive when it comes to environmental issues. As far back as 2003, LESA, which is owned by Emmi (80%) and the farmers of the Engadine (20%), came up with the idea of using the process of organic decomposition in whey for energy production. The 4 million kilograms of whey now produce 88,000 cubic metres of biogas every year, which is converted into 28,000 kWh of electricity. Since 2012, LESA has been conducting a pilot project in partnership with the Zurich municipal electricity company ewz to generate steam with curved solar collectors. Unlike conventional flat or tubular collectors, the state-of-the-art high-temperature solar system is able to generate the temperatures needed for milk processing. Thanks to this investment, the facility in Bever saves around 70 MWh of power from fossil fuels every year, representing an annual reduction in CO₂ emissions of around 18 tonnes.

In October 2012, the installation was awarded the Solar Prize by the Swiss Solar Agency.

EXAMPLE Suhr production facility: making practical use of lukewarm water

Used water that still contains heat energy, but not enough to be directly reused in the production process – referred to as «lukewarm» water – is too valuable to be cooled and discharged down the drain, which of course consumes energy. In 2012, the production facility in Suhr found two ways of reusing lukewarm water. It is used to clean the tank washing system and for cleaning in the flotation process, the mechanical pre-cleaning of waste water. No additional investments were required. The savings in fresh water and the financial effects will be measured in 2013.

Water

Water plays an essential role in Emmi's production processes. It is used for cooling, heating, hygiene and of course cleaning. The amount of waste water discharged into the public sewage treatment system and the level of pollution this causes is not just an environmental issue, but primarily a financial one. Over the last few years, all Emmi production facilities in Switzerland have therefore been rolling out a series of waste water optimisation projects. Emmi is also working hard to reduce its fresh water requirements, for example by reusing water several times at different stages.

EXAMPLE Steam pressure at Suhr adjusted to match requirements

Until recently, the steam network at the Suhr production facility was configured for the previous production equipment. An analysis conducted in 2012 revealed that the current equipment only required a steam pressure of 16 bar instead of 21 bar. Reducing the steam pressure also had the effect of reducing thermal losses. According to calculations by EnAW, this measure has resulted in annual energy savings of 1%.

EXAMPLE Dagmersellen: biogas from waste water

In 1998, the canton of Lucerne imposed a new requirement on the Emmi facility in Dagmersellen, which specialises in the production of powdered milk and mozzarella. The facility was required to pre-treat its own waste water to relieve the strain on the public sewage treatment plant.

The plant went into operation in 1999 and was enlarged and improved in 2005 and 2011. It produces around 200,000 m³ of biogas per year, the equivalent of six tanker lorry loads of heating oil. The reduction in CO₂ emissions of 300 tonnes is equivalent to 100,000 kilometres' worth of car journeys. This environmentally friendly energy source also benefits the local community of Dagmersellen and its residents, although the operation of a biogas plant is not always straightforward and free from emissions, particularly during the running-in phase.

To further improve the quality of the biogas produced from the waste water, a micro gas turbine was installed in 2013.

EXAMPLE Emmi Sustainability Award

The first ever Emmi Sustainability Award for outstanding achievement in operational sustainability was awarded at the beginning of January 2013. The winner chosen from among the water-themed projects submitted was the contribution of the Biedermann dairy to the reduction of pollution load in waste water. The winning project focused on reducing the volume of waste water and thus the high costs of disposal. The solution works as follows: rinsing water and product waste from the phase between two different production runs on a machine are collected and separated, and the reusable materials are sold to a pig farm. This process enables the level of pollution in the water to be reduced by over 30%. In economic terms, the one-time investment of CHF 27,000 contrasts with annual savings and income from the pig farm of CHF 157,000. The project impressed the jury in several respects. It is a well-designed process with excellent value for money, careful use of energy, a high level of employee involvement and a considerable amount of initiative.

An award also went to a project at the Suhr production facility: the development of an automatic cleaning system for the probe that measures the amount of pollution in waste water. A further award went to the motto for the year at Dagmersellen, «Every drop counts», which prompted a number of smaller projects aimed at achieving more efficient use of water.

EXAMPLE Putting unsaleable products to good use

Every day, production facilities output products that cannot be sold to consumers. These might be pots that have not been filled correctly or different varieties that have been mixed. In a pilot test, the Emmen facility collected and emptied these pots and, instead of disposing of the yogurt as waste, sold the still high-quality product as pig feed. This results in 52 tonnes less waste per year.

Waste

Avoiding waste has various economic benefits for Emmi. The most obvious is the reduction in waste disposal costs, but preventing product loss in the production process also reduces consumption of valuable resources. In addition, it is now possible to make beneficial use of materials that previously had to be disposed of. Consequently, Emmi pays a lot of attention to waste policy. The principle of Emmi's waste management activities is «avoid, reduce, recycle». Wherever possible, waste is reused as a first priority by returning it to the production process. Where this is not possible, it is recycled as energy – preferably in biogas plants or alternatively in local waste incineration plants.

The notable reduction in waste volume (in 2012, Emmi produced 20% less waste than in 2011) is due to an exemplary waste management concept, which is illustrated in figure 12 on the next page. Every location is required to devise a waste separation and disposal concept, which defines, for example, the possibilities for reuse and recycling for each material.

EXAMPLE Closing materials cycles

Emmi works to ensure that its employees automatically act and take decisions in a sustainable way on an everyday basis. The annual sustainability motto, first launched in 2012, is one of the ways in which the company is seeking to achieve this goal. The motto for 2013 is «Closing materials cycles». It was presented to the Emmi Group's annual management event in January and there has been plenty of coverage on this theme in the staff magazine, LINK. Emmi believes that major investments are not needed to implement this year's motto. Nor is the aim to make employees collect even more materials alongside paper, cardboard, PET and glass. Instead, the purpose of the motto is to encourage all employees to consider where, in their immediate environment, waste can be avoided, reduced or recycled. At the end of the year, the Emmi Sustainability Prize will be awarded once again to recognise efforts made in line with this year's motto.

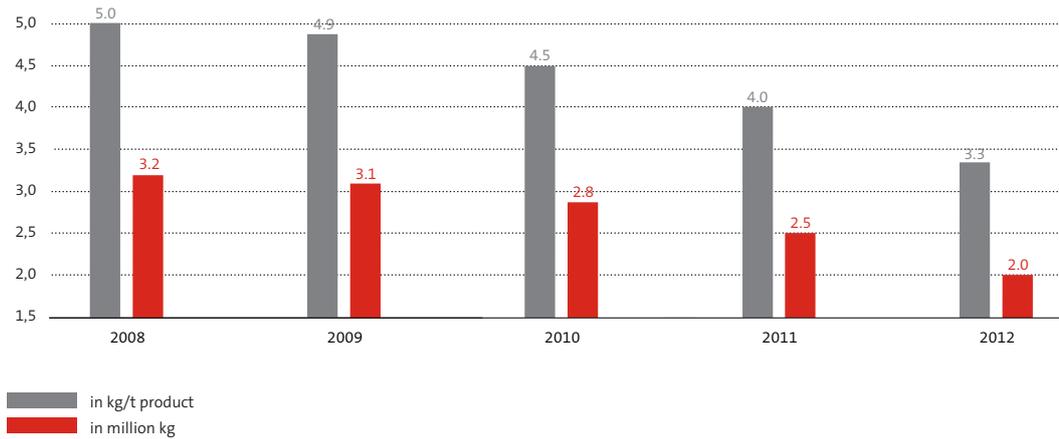
EXAMPLE Avoiding food waste

Research has shown that about one-third of all food in Switzerland is not consumed because it is wasted before it reaches the consumer's plate or is thrown away. The government has recognised this problem and in 2012, the Food Waste project group was set up. This group brings together various government agencies and the Swiss Agency for Development and Cooperation (SDC).

The first phase was a campaign to raise public awareness of the issue of food waste with a touring exhibition and other communication measures. The group has also established a dialogue with various stakeholders throughout the food chain in Switzerland, and Emmi is a participant in this dialogue. A meeting was held to discuss the reasons for food waste in Switzerland and possible solutions. Emmi believes that there is potential in the legal framework, for example.

Emmi is looking forward with anticipation to the results of this national stakeholder dialogue and in particular the measures derived from it.

Fig. 12: Waste to incineration plants



EXAMPLE Energy and compost from coffee

In 2012, Emmi broke the 100 million cup mark in terms of sales of its highly successful product Emmi Caffè Latte. The key ingredient of Emmi Caffè Latte is coffee from the Rast gourmet roasting facility in Ebikon, Lucerne. Here, the coffee is roasted before being transported immediately to Emmi in Ostermundigen. To produce 100 million cups of the chilled coffee drink requires large volumes of coffee. This also means that a large volume of coffee grounds is produced in the brewing process – around 1,900 tonnes per year to be exact. The grounds are processed in a biomass plant in Spiez. The fermentation process produces energy, which is used for district heating and power generation, and compost.

«To make our successful product Emmi Caffè Latte, we only use coffee from Rainforest Alliance-certified plantations.»

Sarah Villani, Brand Manager Drinks

As well as milk, Emmi products require many other natural raw ingredients. Coffee is a central component in Emmi Caffè Latte, one of Emmi's most successful products. To satisfy consumer expectations, Emmi delivers not just quality, convenience and style with this product, but also sustainability. Starting in May 2011, the production of Emmi Caffè Latte therefore gradually moved over to coffee from Rainforest Alliance-certified plantations. The producers of this coffee satisfy the strict requirements of three pillars of sustainability: environmental protection, social justice and cost efficiency. Emmi accepts the difficulties involved in sourcing large quantities of certified coffee.

CO₂ emissions

Switzerland treats the CO₂ levy as an essential tool for achieving official climate protection targets. This incentive tax was introduced on fossil fuels in 2008. Making these energy sources more costly encourages more economical use and promotes the use of low-carbon alternatives.

The amended CO₂ Act came into force in Switzerland on 1 January 2013. It follows on seamlessly from the original legislation in which Switzerland committed itself, in the first period of the Kyoto Protocol (2008–2012), to reduce greenhouse gas emissions by 8% compared to 1990 levels. In the second period from 2013 to 2020, Switzerland is aiming to reduce its domestic greenhouse gas emissions by at least 20% compared with 1990 levels.

Companies in energy-intensive industries can be exempted from the CO₂ levy if they commit to reducing their greenhouse gas emissions. Emmi took advantage of this possibility and worked with the federal government to draw up a CO₂ agreement under which the CO₂ intensity – i.e. CO₂ emissions in relation to production volume – are to be reduced to 79% and energy efficiency increased by 12% compared with the period 2000–2012. In return, Emmi was exempted from the fossil fuels levy. Since 2000, the Emmi Group has reduced its CO₂ emissions by 39% through a diverse range of measures to meet the government requirements.

Climate targets for 2020

Emmi has implemented many different measures to reduce its CO₂ emissions. The efficiency of energy sources is being continually improved, and where possible and reasonable, fossil fuels are being replaced by lower-carbon alternatives. Biogas, for example, which can be obtained from various types of organic waste produced in Emmi facilities, is ideal for use in milk processing.

In the second commitment period from 2013 to 2020, Emmi will continue to work hard to contribute to the Swiss government's ambitious climate target. The application for exemption from the CO₂ levy for this period was submitted by the required deadline.

As time goes on, it will become more difficult for Emmi to achieve the same dramatic improvements in energy performance as have been achieved in recent years. The company has invested a great deal in modernising its energy-intensive facilities over the last five to seven years (see SR 1). Emmi will now use the experience gained to optimise more complex facilities and areas of the business.

EXAMPLE Minimising flights and offsetting emissions

Emmi has undergone significant international growth in recent years. The company now has subsidiaries in 13 countries apart from Switzerland and in most cases operates more than one production facility per country. Wherever possible, Emmi uses phone calls or videoconferencing to communicate with its foreign subsidiaries. However, some matters can only be discussed in person or on site. This gives rise to a large amount of air travel by Emmi employees. In the future, if a flight is paid for with an Emmi company credit card, the CO₂ emissions generated by the flight (and other activities paid for with the card) will be offset. This is made possible by the Climate Credit Card, a project initiated by South Pole Carbon and Cornèrcard.

EXAMPLE «Sun-ripened» cheese from Jura

In October 2012, Emmi's third solar installation in Switzerland went into operation on the flat roof of the Tête de Moine AOC cheese dairy in Saignelégier, in the canton of Jura. Solar energy is captured by 17 rows of collectors covering an area of 630 m². The heat generated from the solar process is fed into the existing hot water system, where it replaces 30,000 litres of heating oil every year, thereby reducing CO₂ emissions by 79 tonnes.

EXAMPLE Partnership between Ostermundigen facility and Climate Platform for Industry

The Climate Platform for Industry is an initiative of the City of Berne. Through a range of specific climate protection projects, it intends to show that entrepreneurial thinking and ecology can inspire each other. Since 2007, Emmi's largest production facility in Ostermundigen has been presenting one or two of its projects each year on this platform:

Heat recovery from compressors

In 2009, a 30-year-old refrigeration system in Ostermundigen was modernised. Emmi took advantage of the replacement of the cooling compressors to renovate the entire heat recovery system. The heat from the compressors is used to heat the process water to an average of 40°C. Before, this water had to be further heated to 65°C using gas as fuel. But with the addition of a high-pressure heat pump, which utilises process heat that was previously vented through the roof, hot process water at 65°C can now be generated all year round without the use of additional fuels. The heat pump also heats the administration building during the winter months.

EXAMPLE Projects on the Climate Platform for Industry in 2011

Optimisation of steam plant

The Ostermundigen production facility has a steam plant with a heat output of 24 MW. As a result, Emmi's largest facility consumes as much gas as a small town of 12,000 people. Until recently, three boilers of equal size were used for steam production. Thanks to various energy-saving projects, steam consumption has been reduced to a level where the facility now only requires 1.4 boilers at peak times. This meant that one of the three boilers could be fully removed from the network. The downsizing reduced the facility's gas consumption by around 3%. Further savings were achieved through more efficient operation of the remaining boilers. In total, gas consumption was reduced by around 4.5% and CO₂ emissions by 380 tonnes per year.

Preheating water for brewing with process heat

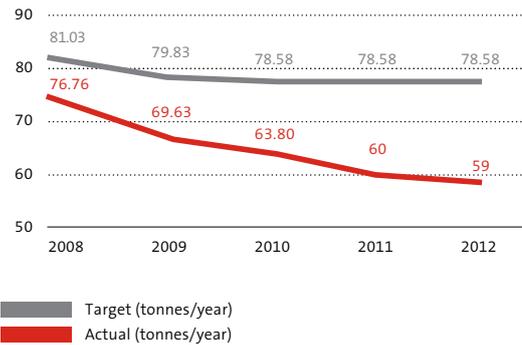
Emmi uses freshly brewed coffee to make its Emmi Caffè Latte. The brewing process takes place at an average temperature of 90°C. In 2012, the efficiency of the brewing process at Ostermundigen was improved so that the brewing water was preheated to around 70°C using waste process heat. This saves around 2.2 million kWh of energy or more than CHF 110,000 per year. Annual CO₂ emissions have also been reduced by 110 tonnes.

EXAMPLE Projects on the Climate Platform for Industry in 2012

Increased efficiency in steam generation

Until recently, the steam produced in various production processes was collected in a central condensate collector. When the steam condensed, heat energy was lost. Although Emmi was already aware of this situation, it was difficult to make economical use of this source of waste heat as returning it to the heat recovery circuit would have been both expensive and technically complex. But in 2012, the 40-year-old condensate collector was due to be replaced, providing an opportunity to make the steam available for use throughout the infrastructure. Implementation resulted in a 1% to 2% increase in efficiency in steam generation and annual CO₂ savings of 36 tonnes.

Fig. 13: Combined CO₂ intensity of all energy sources



* The information about Emmi's CO₂ emissions include the sites which are mentioned on page 65 of this report. These are the result of the CO₂ agreement between Emmi and the government.

MORE INFORMATION

- Key environmental measures at Emmi, 2005 to 2010: [SR 1 pp. 28–29](#)

Energy

- Energy Agency for Industry (EnAW): www.enaw.ch
- Electricity consumption trend of Emmi in Switzerland: [AR 2012, p. 24](#)
- Information about the solar installation in Bever: ewz.ch > Energiedienstleistungen > Referenzobjekte > Spezialobjekte
- Swiss Solar Agency: solaragentur.ch > Schweizer Solarpreis > Schweizer Solarpreis 2012
- Information about PinCH: pinch-analyse.ch

Water

- Water consumption trend of Emmi in Switzerland: [AR 2012, p. 24](#)
- Information on winning projects in the Emmi Sustainability Prize 2012: group.emmi.com > About Emmi > Sustainability > Sustainability initiative > Sustainability Prize 2012

Waste

- Waste volume trend of Emmi in Switzerland: [AR 2012, p. 25](#)
- National project to reduce food waste: foodwaste.ch
- AVAG: avag.ch
- Spiez biomass centre: oberland-energie.ch > Biomassezentrum

CO₂

- Information about the CO₂ levy: www.bafu.admin.ch > Topics > CO₂ levy
- Climate Platform for Industry: www.klimaplattform.ch > Projekte
- Climate Credit Card: climatecreditcard.ch
- Information on the solar installation in Saignelégier: www.enaw.ch > Konkret aus der Praxis
- Information on wood chip-fired heating in Emmen: www.evl-luzern.ch > Wärme > Referenzanlagen

Employees

As an internationally successful milk processor, Emmi needs a varied range of personnel skills. Employees at Emmi in Switzerland alone represent more than 100 different professions. Emmi knows that its employees are the most important success factor. Human resources is accordingly given high strategic importance, as expressed in the HR vision.

Emmi's HR vision

«Our ambition is for Emmi to be perceived as a preferred, successful employer that is seen to value its employees. The company can only achieve its business objectives if employees perform well. Emmi stresses that managers must take full account of human resources issues and lead by example.»

The HR vision is realised through the HR strategy, which is based on the following four elements:

- Professional management
- Clear goal orientation
- Comprehensive competence management
- An overall emphasis on satisfaction

Emmi has laid the foundations to achieve its strategic aims in terms of HR: Human Resources supports employees and managers in working in a targeted manner on their performance, behaviour and development. In doing so, they can rely on a professional, customer-focused HR organisation and effective HR processes and tools. Emmi has implemented specific measures in all areas in the last two years, and more are planned for the years ahead.

Binding compensation policy

Emmi has grown out of a number of different companies over decades. As a result, there are a range of systems and regulations in some areas, including human resources. For example, until recently, Emmi did not have a single compensation strategy. Rather, several different salary models were applied under a complex overall salary system, which made salary comparisons with the market and within the company difficult. In response to this situation, a compensation strategy and the required guidelines were developed in 2012, which seek to achieve the following objectives:

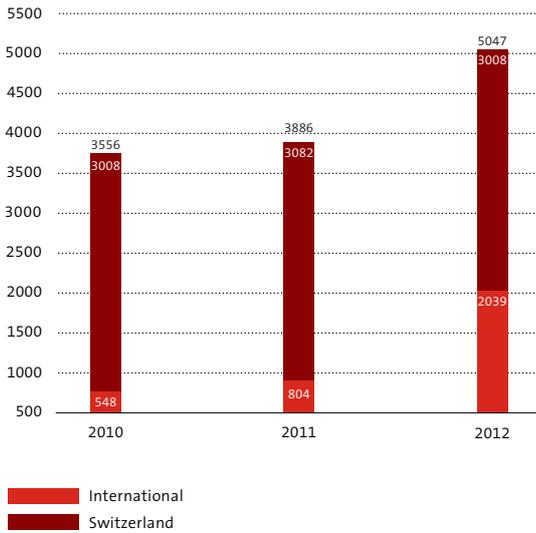
- The creation of a transparent compensation strategy, which is sustainable for all stakeholders and
- The introduction of a simplified salary system, which is in line with the Emmi values.

The new compensation policy of Emmi, which has been in force since 1 January 2013, comprises a basic salary, variable salary components and ancillary benefits. The variable salary components include bonus programmes for the two highest management levels, variable portions for the sales staff, and profit-sharing and one-off bonuses for employees not covered by a bonus programme.

Other tools in the compensation policy include bonus regulations and regulations on the variable portion of salaries for roles with largely customer-facing roles in Sales.

This salary model is based, among other things, on the Emmi corporate values. For example, the model reflects the intrinsic motivation of employees which is anchored in these values and important to the corporate culture: employee groups with bonus components have deliberately been defined very small. The involvement in the development of the system also contributed to its acceptance.

Fig. 14: Total workforce

**EXAMPLE** Conditions of employment updated

The incorporation of the Emmi values formulated in 2010 was the most recent cause for an update of the conditions of employment. On this occasion, several other amendments were also introduced, which make Emmi an even more attractive employer. For example, work-life balance was strengthened through a range of measures:

- Increase in maternity benefit from 80 to 100 percent of the current salary,
- increase in voluntary child allowance for low income families from CHF 50 to CHF 100,
- increase in compensatory time allowance for working nights from 10 to 20 percent,
- support for more flexible working time models within the limits of operational possibilities.

These new conditions of employment have been in effect for most Emmi locations in Switzerland since 1 January 2013.

In addition, the conditions of employment were supplemented this year by a «Code of Conduct» approved by the Emmi Group Management and Board of Directors. This sets out principles on quality, safety, the environment, working conditions, equal opportunities, integrity and legislative compliance, and acts as a binding policy for all employees. It supersedes all other internal company guidelines and is intended as a benchmark for all activities within the Group.

EXAMPLE Enabling part-time work at management level

Emmi employs an increasing number of highly educated women in management positions in Switzerland. The company's objective is to keep the expertise of these employees, even when their family circumstances change. For example, two former team leaders in Marketing share a team leader position in order to balance their work and family lives. Corresponding parttime positions are also possible for men.

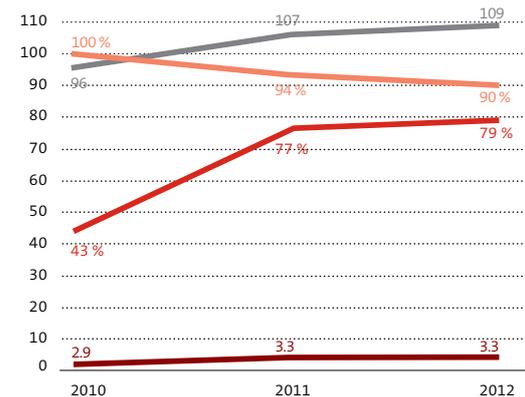
Promotion of young talent is paramount

Vocational training has traditionally been accorded very high importance at Emmi in Switzerland. Employees trained by the company have knowledge tailored to Emmi’s needs, and have also internalised the corporate culture. However, due to demographic change and the trend towards academisation, Emmi has to constantly increase its efforts to recruit suitable apprentices. This is all the more true since in addition to better known training courses such as commercial or IT apprenticeships, Emmi also offers less well known, sector-specific programmes, including apprenticeships in dairy technology, plant management or road haulage.

As at the end of 2012, Emmi employed 109 apprentices in Switzerland, and in August 2013, 36 new apprentices began their training at Emmi in Switzerland. The professions with the highest proportion of apprentices are dairy technologist (40 percent of all apprentices), logistician (18 percent), plant manager (13 percent) and management assistant (12 percent).

In addition, Emmi offers training programmes for university graduates in subjects such as business administration and economics, and food engineering. These are interesting training opportunities offering an attractive start to their careers. The first five trainees are currently completing the two-year programme.

Fig. 15: Key figures about the apprentices



No. of apprentices (as at 31.12.)
 Graduation rate
 Retention rate*
 as % of the workforce

* temporary and permanent contracts

EXAMPLE Cross-sector collaboration in apprentice training

Together with the training centre of ABB, the global leader in power and automation technologies, Emmi initiated a joint training programme for technical specialists (polymechanics/automation engineers). As part of this collaboration, a polymechanic specialising in maintenance has been working at Emmi in Suhr since August 2013.

EXAMPLE Emmi offers new professions

Just as Emmi has altered steadily as a company in recent years, the requirement profiles for employees have also seen changes. One example of this is the newly created profession of Federally certified road haulage specialist in basic vocational training: Federally certified road haulage specialists are responsible for the transport of goods and the maintenance of their vehicle. The first apprentices started the new training programme in August 2013.

Knowledge management as a success factor

Using company-specific knowledge efficiently and effectively is a key success factor in today's information society. Emmi also recognises the high importance of knowledge management. The situation at Emmi in this regard was examined in a Master's thesis for the Executive MBA at Lucerne University of Applied Sciences and Arts in 2010. The analysis revealed that while the rudiments exist, systematic and controlled knowledge management is rarely applied. The shortcomings that were uncovered led to specific recommendations for action at the following three levels: incorporation of future vision in all considerations, promotion of learning and creation of the basis for structures conducive to knowledge.

The measures proposed have since been applied through a range of projects.

EXAMPLE Development of knowledge required in the future

The recommended increased consideration of future knowledge has been taken into account at Emmi through the revision of the objective agreement form. Line managers now have a platform to record the development objectives for their employees, which are clearly related to the key competences defined by Emmi for the various target groups.

EXAMPLE Creating scope for creativity and exchange

When planning its new headquarters, which Emmi will move into in 2014, working areas will deliberately be established for creative work and to promote exchange between employees.

Expansion of management training

Professional management is one of the areas of action of Emmi's HR strategy. To ensure high management quality, Emmi has been offering a broad-based advanced training programme with management and leadership modules for some time. The leadership module was developed in 2011 in collaboration with the Institute for Applied Psychology (IAP) of the Zurich University of Applied Sciences (ZHAW). The training is based on scientifically accepted findings in brain research and provides a model of human behaviour. Successful completion of the Emmi management training leads to a Certificate of Advanced Studies (CAS). This offering also contributes to consolidating Emmi's appeal as an employer.

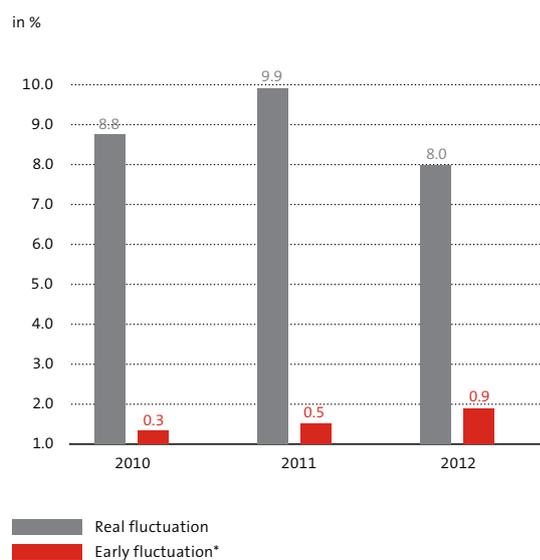
Sedex certification

Sedex (Supplier Ethical Data Exchange) is an international non-profit organisation with 400 member companies. Its aim is to promote knowledge transfer regarding ethical and responsible business processes and to give its members the opportunity to have these processes assessed.

In 2011, Emmi became the first major food manufacturer in Switzerland to successfully complete an external Sedex Members Ethical Trade Audit (SMETA) performed by certification company SGS. The audit was performed at various Emmi facilities throughout Switzerland. Renewal of this certification is scheduled in 2014.

The Emmi workforce in Switzerland in figures

Fig. 16: Fluctuation



* Departures within the first 12 months of employment

Fig. 17: Percentage of women

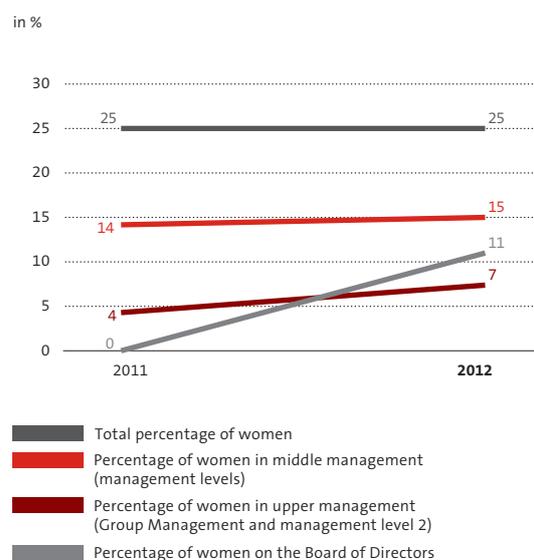


Fig. 18: Workforce by canton (top 5)

Canton	Headcount (as at 31.12.12)
Berne	1,257
Lucerne	1,081
Aargau	404
Zurich	170
Thurgau	124

Fig. 19: The most common nationalities among Emmi employees

Swiss	77.9 %
German	3.1 %
Kosovan	3.0 %
Serbian	2.2 %
Macedonian	1.8 %
Italian	1.7 %
Portuguese	1.5 %
Bosnian	1.4 %
Turkish	1.2 %

Health maintenance and employee protection

Employee health and safety are accorded top priority at Emmi. Human Resources and Safety are responsible for these central issues as part of Quality, Environmental and Safety Management. The principles and measures to ensure the safety and health of employees are set out in the health management guidelines and in the company's safety policy.

Health management

Health management comprises all measures which help promote health and physical and mental performance. Emmi has a holistic understanding of modern health management and takes into account structural factors such as the management culture, organisation and workplace design, as well as individual factors including the attitude of the individual employees when dealing with pressure, nutrition and relaxation.

If, despite all preventive measures, an accident or case of illness occurs, Emmi promotes active care of the person concerned, and supports their rapid reintegration into day-to-day operations. Proven tools here include «sheltered workplaces», which are available at the five largest production sites in Switzerland.

EXAMPLE *Fit with Emmi*

Since 2011, absences in the Packaging department in Kirchberg had been increasing continuously. In discussions on return to work and support discussions, frequent musculoskeletal disorders were determined to be the main cause for the absenteeism. As a result, the prevention project «Workplace ergonomics in Packaging, Kirchberg» was launched, with the aim of sustainably reducing physical ailments among employees. A physiotherapist and a specialist in workplace ergonomics were also brought in to provide instruction for employees. As a further measure, the equipment in the Consumer Packaging department in Kirchberg has been stopped every morning at 9 a.m. since mid-October 2012 in support of health care. Employees then do gymnastics for five minutes.

EXAMPLE *Sheltered jobs*

One goal of Emmi's HR strategy is to ensure that employees are mentally and physically fit. However, there are a host of tasks that can also be performed by people with disabilities or disorders. It is of great importance to Emmi to identify such jobs and to give people who are either permanently or temporarily suffering physical or mental disorders the opportunity to fill these roles. There are currently around 20 such sheltered jobs at Emmi in Switzerland. Some of these jobs originated in collaboration with local social welfare offices or aid organisations. One such partnership, for example, is the «Praxis Arbeitswelt» (labour practice) programme run by charitable organisation

Caritas Lucerne, which helps unskilled jobseekers or those with poor qualifications to gain a foothold in the world of work again.

It is particularly important to also act as a reliable partner wherever possible for employees after setbacks due to illness or an accident. Emmi employs five long-standing staff whose physical or mental disorder occurred during their time as an Emmi employee. Their work is tailored to their abilities – either with reduced working hours or by giving a new role.

High-level safety management

The overarching objective of the Emmi Group's safety policy is to ensure the company's capacity to function at all times. This requires the best possible protection of people and infrastructure, and relevant precautionary measures. The safety management is conducted centrally by Supply Chain Management (department of Quality, Environment and Safety), while its implementation is decentralised.

Safety management at Emmi in Switzerland is based on the occupational safety management system OHSAS 18001 (Occupational Health And Safety Assessment Series); national, cantonal and communal legislation, requirements and regulations; and the internal requirements of the management system, the directives, instructions and forms. This is audited periodically at the sites together with the certification company SGS.

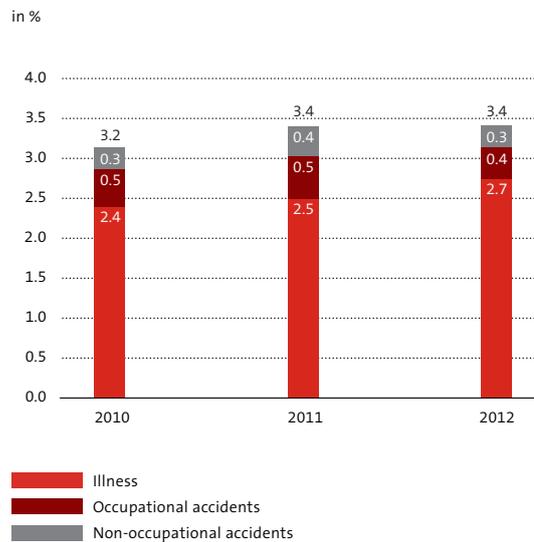
EXAMPLE Reducing accident rates

Employee safety depends on two factors: technical risk and the behaviour. Emmi has set itself the target of reducing occupational accidents to below 60 incidents per 1,000 full-time equivalents (sector average according to Suva: 59) and non-occupational accidents to below 80 incidents per 1,000 full-time equivalents (sector average according to Suva: 107) by 2015. This requires an annual reduction in accidents of ten percent in each case. As an initial measure, comprehensive risk analyses of the technical facilities were carried out in 2012. Based on these findings, improvements were implemented in 2013. In addition, to optimise prevention of unsafe actions, near misses and minor accidents (i.e. those requiring first aid) will be systematically recorded in future.

Outside of work, Emmi supports raising awareness among employees. Safety tips from the Swiss Council for Accident Prevention and the Suva public awareness campaign on recreational sports are included in this part of the prevention work.

Emmi achieved the 2012 target for occupational accidents, with a total of 190 incidents (prior year 219), or 55 per 1,000 full-time equivalents (-13.2 percent). The Group has not yet achieved its goal in terms of non-occupational accidents, with 382 incidents (prior year 376), or 111 per 1,000 full-time equivalents (+1.6 percent) in 2012.

Fig. 20: Employee absences

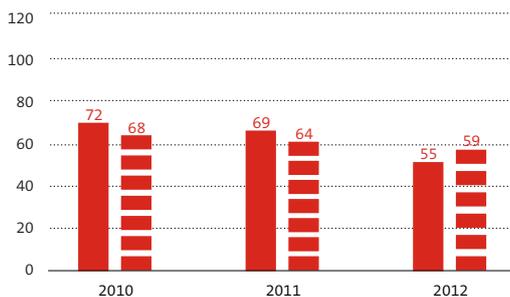


Note: Absence days are counted from the first day of absence.

Fig. 21: Suva comparison of accident figures at Emmi and the sector average

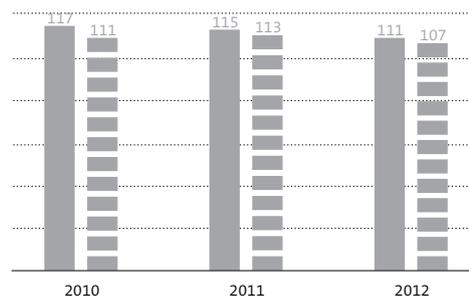
Occupational accidents

Cases per 1000 full-time employees



■ Emmi
 ■ Sector average

Non-occupational accidents



■ Emmi
 ■ Sector average

MORE INFORMATION

- Understanding the role of Emmi as an employer:
[SR 1](#), pp. 39–43
- Development opportunities at Emmi: group.emmi.com >
 Careers > Entwicklungsmöglichkeiten
- Sedex certification of Emmi HR processes: [SR 1](#), p. 43
- Emmi 2012 Annual Report, pp. 25–27

- Specific example of a sheltered job at Emmi:
caritas-luzern.ch > Medien >
 «Einen Platz in der Arbeitswelt finden»
- Swiss Accident Insurance Fund Suva: suva.ch

About this Sustainability Report

In this report, Emmi documents its activities from an environmental, social and economic perspective during the reporting period (2011 and 2012). In addition, Emmi aims to provide interested readers with an overview of the company, for example, its origins and its activities in terms of manufacturing dairy products.

The reporting is based on the standards of the Global Reporting Initiative (GRI), an internationally recognised framework for reporting on sustainable corporate management. This report complies with GRI reporting level C+. The GRI Index rating was certified by testing and certification company SGS (Société Générale de Surveillance SA, see p. 6).

Structure of the report

This second Sustainability Report comprises two documents: the Report itself and the separate GRI Index.

The sustainability reporting provides readers with a clear overview of how Emmi deals with various aspects of sustainability. Fundamental topics that were dealt with in detail in the first Sustainability Report are covered in less depth in the current edition in favour of providing more detail on aspects that have undergone significant change in the last two years. It also gives greater emphasis to specific examples from everyday working life. In the area of environmental sustainability in particular, these examples represent only a small selection of the projects undertaken in the last two years.

The GRI Index forms an integral part of this report and has two functions: first, it serves as a contents page, which readers should use to guide them to all the available information on the various indicators. Second, it contains a wealth of additional information that could not be included in the Sustainability Report itself for reasons of clarity. All documents referred to in the GRI Index are available online.

Scope of the report

The information in this second Sustainability Report encompasses all activities and sustainability efforts in Switzerland, and therefore currently covers approximately 70 percent of the sales generated by the company – Swiss business and exports of Swiss products – and just under two-thirds of employees.

In general, the published values cover all Swiss locations, except the environmental figures. Emmi calculated them on the basis of the applicable official reports (FOEN, EnAW). These reports refer only to the relevant operations. The Emmi locations included in the figures are listed below.

Electricity/water/waste

Bever (Lataria Engiadinaisa), Bischofszell (Biedermann dairy), Courgenay, Dagmersellen, Develier, Emmen, Frenkendorf (since 2011), Gossau, Kaltbach, Kirchberg, Küsnacht (Emmi Interfrais/until 2011), Landquart, Langnau i.E., Lucerne (maturation), Moudon, Ostermundigen, Rain, Saignelégier, Sarnen, Schlierbach, St-Imier, Stein, Suhr, Thun, Wittenbach (since 2012), Zollikofen (maturation), Zollikofen (logistics: ex-Fromalp/since 2010), Schlieren (Emmi Frisch-Service AG/ since 2012), Zurich (Burra AG/until 2011).

Bereich CO₂-Ausstoss

Bever (Lataria Engiadinaisa), Bischofszell (Biedermann dairy), Courgenay, Dagmersellen, Develier, Emmen, Fenkrieden, Gossau, Kaltbach, Kirchberg, Landquart, Langnau i.E., Lucerne (maturation), Moudon, Ostermundigen, Rain, Saignelégier, Sarnen, Schlierbach, Stein, St-Imier, Suhr, Thun, Zollikofen (maturation), Zollikofen (logistics: ex-Fromalp/since 2010).

This report generally compares relevant sustainability figures from the last three years. Emmi's operational structures have changed over the period covered by this Sustainability Report due to acquisitions, closures, mergers or the expansion of operations in Switzerland as follows:

Details of changes to the group of consolidated companies for the entire Group over the past three years can be found in the 2012 Annual Report (p. 58), the 2011 Annual Report (p. 60) and the 2010 Annual Report (p. 56).

A detailed overview of all companies within the Emmi Group can be found in the 2012 Annual Report on pages 76 to 79 and page 85.

2010	2011	2012
<p>Fromalp AG, Zollikofen (BE) Acquisition, followed by shutdown of production (the site is currently used for logistics activities)</p> <p>Kaltbach cheese-ageing facility (LU) Expansion</p> <p>Emmen site (LU) Construction of new plant for manufacturing fruit bases</p>	<p>Regio Molkerei beider Basel, Frenkendorf (BL) Acquisition</p> <p>Rutz Käse AG, Wittenbach (SG) Acquisition</p> <p>Emmi Interfrais SA, Küsnacht (SZ) Moving to Schlieren (ZH)</p>	<p>Emmi Interfrais, Schlieren (ZH) Renaming to Emmi Frisch-Service AG</p> <p>Burra AG, Zürich (ZH) Merger with Emmi Frisch-Service AG and integration of operations in Schlieren</p> <p>Kaltbach cheese dairy (LU) Development of goat's cheese production</p>

Publication details

This report and further information on the subject of sustainability are available on the Emmi website (www.emmi.ch). For questions please contact Emmi Group Communications on +41 41 227 28 40 or via e-mail nachhaltigkeit@emmi.com.

Languages

This report is available in German and English. Printed copies of the German version are also available on request.

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